

# **FINANCING OF ORGANISED CRIME**

## **HUMAN TRAFFICKING IN FOCUS**



**CENTER FOR  
THE STUDY OF  
DEMOCRACY**



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The report *Financing of Organised Crime: Human Trafficking in Focus* contributes to a better understanding of the financial aspects of this infamous phenomenon. The analysis explores the sources and mechanisms of the financing of trafficking in human beings, settlement of payments, access to financing in critical moments, costs of business, and the management of profits. The report draws on the findings of nine in-depth country case studies in Belgium, Bulgaria, Italy, France, Germany, the Netherlands, Romania, Spain, and the United Kingdom. Based on the results of the analysis and the examination of the current practices with regards to financial investigations, the report also suggests recommendations for tackling this crime.

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## LIST OF ABBREVIATIONS

<b>CSD</b>	Center for the Study of Democracy
<b>EU</b>	European Union
<b>ICT</b>	information and communication technologies
<b>ILO</b>	International Labour Organisation
<b>JIT</b>	Joint Investigation Team
<b>LEA</b>	law enforcement agency
<b>NGO</b>	non-governmental organisation
<b>OCG</b>	organised crime group
<b>SOCTA</b>	Serious and Organised Crime Threat Assessment
<b>THB</b>	trafficking in human beings

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# INTRODUCTION

Trafficking in human beings (THB) is considered one of the heinous forms of crime in the EU and targeted by a number of legal acts and policy documents. Among the most recent ones are the EU Anti-trafficking Directive,<sup>1</sup> the EU Strategy 2012 – 2016<sup>2</sup> and the 2017 Communication<sup>3</sup> stepping up EU action on that gruesome issue. The 2017 SOCTA report of Europol also lists human trafficking among the top five priority crime threats for EU. It is widely acknowledged that trafficking in human beings, like all organised (and some non-organised) crime activities, is profit-driven (Europol, 2015; FATF, 2011; OSCE, 2010; UNODC, 2016). Therefore, it can be best understood and addressed when criminal finances are being placed in the very centre of its analysis and investigation. Nonetheless, according to the mid-term report on the implementation of the EU anti-trafficking strategy<sup>4</sup> “financial (including asset-tracing) investigations are conducted in several member states on a case-by-case basis when a case of THB is encountered.” Europol (2015) also admits that “there is a significant intelligence gap amongst LEAs regarding the financial aspects of THB.” The agency reports that this partial knowledge is a result of the limited number of financial investigations into the proceeds generated by THB and in turn contributes to difficulties in identification and prosecution of traffickers.

A previous report on the subject of organised crime finances (CSD, 2015) has come to similar conclusions about the investigations of organised crime in general: law enforcement institutions have traditionally been focused on predicate crimes with the aim to imprison perpetrators and seize illicit goods. Information on the financial aspects of organised crime has been regarded as irrelevant and no deliberate efforts to collect and analyse such data have been made. Hence, the quality of the financial information collected (if at all) is fragmented and compromised because law enforcement agents operating at the local level lack knowledge and experience in financial matters. The report focused on three main illicit criminal markets in the EU: cocaine trafficking; illicit tobacco trade, and organised VAT fraud and explored the sources and mechanisms for financing organised crime, settlement of payments, access to financing in critical moments, costs of business and the management of profits.

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<sup>1</sup> Directive 2011/36/EU of the European Parliament and of the Council of 5 April 2011 on preventing and combating trafficking in human beings and protecting its victims, and replacing Council Framework Decision 2002/629/JHA, OJ L 101, 15.4.2011.

<sup>2</sup> *The EU Strategy towards the Eradication of Trafficking in Human Beings 2012 – 2016*, Communication from the Commission to the European Parliament and the Council, COM/2012/0286 final.

<sup>3</sup> *Reporting on the Follow-up to the EU Strategy towards the Eradication of Trafficking in Human Beings and Identifying Further Concrete Actions*, Communication from the Commission to the European Parliament and the Council, Brussels, 4.12.2017. COM (2017) 728 final.

<sup>4</sup> *Mid-Term Report on the Implementation of the EU Strategy Towards the Eradication of Trafficking in Human Beings*, Commission staff working document, 17.10.2014, COM (2014) 635 final.

Although this report did not focus particularly on trafficking in human beings, it offered several important insights for better understanding of the financial underpinnings of illegal markets and specifically about the sources of financing that criminal entrepreneurs rely on. The analysis clearly demonstrated that the need for financing applies to entry at every level of illicit markets: from the low/retail level to the high level, even though the scale of investment was likely to differ (CSD, 2015). One of the main conclusions of the study, in line with the social embeddedness perspective, is that the social capital of criminal entrepreneurs – their trusted connections and reputation – is of bigger importance than the financial capital for entering, operating and succeeding in a given criminal market contrary to the expectation that capital will be readily available when the potential for profit is high and the perceived risk is low. Moreover, the higher the levels of risk associated with a given criminal activity, the greater the role of social capital in comparison with financial capital for entering the market. Likewise, upward mobility in criminal markets is not merely a matter of accumulating financial capital, but also building social capital in terms of developing a customer base of trusted clients and establishing trusted relationships with suppliers from upper levels (CSD, 2015).

The analysis identified three main sources of financing – reinvestment of criminal proceeds, borrowing capital and use of legitimate sources. Reinvestment of criminal proceeds is reported as the main form for financing of the criminal operations with shared investment schemes widely spread for all supply chain levels and across different markets. Shared investments apparently not only allow criminal entrepreneurs to kick-start a given project, when they cannot raise the necessary financial resources on their own, but more importantly it is a tool for sharing business risks. Borrowing capital from other criminal entrepreneurs appears to be the least practiced form of financing, usually used in critical moments. Such illicit lending was rather obtained by other well-established, career criminals in their wider network in virtue of established trusted relationships or through a trusted surety and less likely from loan sharks. The data collected within the study did not find evidence for existence of specialised “underground bankers” who finance criminal projects. The analysis also showed that legitimate money is often invested in criminal markets. At the retail or wholesale level of drug and illicit tobacco markets, these legitimate funds might come from variety of sources: personal savings, revenues from a legal business of the criminal entrepreneur, loans from family or friends, payday loans, and small bank credits. At higher levels of drug trafficking or illicit tobacco markets, as well as with large scale VAT frauds, such legitimate funds may originate from legal business revenues, EU or national subsidies, and bank loans (CSD, 2015).

Despite the insights presented in CSD’s 2015 *Financing of Organised Crime* report, the financial mechanisms behind a number of important markets generating substantial revenues remain under-researched, of which trafficking in human beings is one prominent example. The current analysis fills this gap by applying the same approach that has been already developed within the 2015 report and by providing a detailed

account on the business models of traffickers in human beings. The analysis discusses the financial underpinnings of trafficking in human beings focusing on two major forms of exploitation, namely sexual exploitation and labour exploitation.

The current report is organised in five chapters and a conclusion. The first chapter presents the current state of research on criminal money management in the context of trafficking in human beings and briefly discusses the methodology applied in the study. The second chapter covers the contemporary trends and developments in the market structure and social organisation of THB in selected EU countries. The third chapter focuses on financial aspects of THB, whereas the fourth covers the role and implications of ICT on human trafficking. The last chapter provides an overview of the role of money laundering investigations in tackling this criminal activity. Finally, the conclusion summarises the main findings and policy recommendations for prevention and combatting THB.



# 1. ANALYSING THE FINANCES OF TRAFFICKING IN HUMAN BEINGS

Research on organised crime and especially its financial underpinnings is an indispensable component of more effective and smarter approaches to prevention and investigation (see Antonopoulos et al., 2015). It is particularly important to enhance understanding of the financing mechanisms behind crimes which pay well and are at the same time considered to pose low risk for offenders. Trafficking in human beings is a prominent example, representing a very lucrative form also of organised crime groups (Belsler, 2005; Government of the Netherlands, 2016; Wheaton et al., 2010), which is expected to surpass key forms of organised crime (e.g. drug and arms trafficking) in terms of generated profits, while at the same time being associated with relatively low risks and costs for perpetrators (Akee et al., 2014; Fahey, 2009; Wheaton et al., 2010). Despite the lucrativeness of THB, however, most of the research predominantly focuses on the crime of trafficking and less on the financial aspects such as utilisation of profits and investments (OSCE, 2014). Deepening the understanding of the financial mechanisms of this market will aid in the development of more effective counteraction strategies with the ultimate aim to make trafficking a much less lucrative illicit enterprise.

This chapter examines the current state of research on financing of organised crime more generally and trafficking in human beings specifically. Subject of analysis is the definition of the crime, followed by the main theoretical perspectives in the analysis of financial underpinnings of organised crime and THB, as well as existing knowledge on the concrete mechanisms, actors, and strategies used by criminal groups more generally and human traffickers specifically. **The methodology and the data sources on which the current study is based** are also discussed.

## 1.1. DEFINING TRAFFICKING IN HUMAN BEINGS

The definition of human trafficking applied in this report closely follows the one provided in the UN Convention Against Transnational Organised Crime and its Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (the Palermo Protocol). The convention and its protocol are the first global attempt in modern times to define and counter trafficking, which set out the first **widely accepted definition of human trafficking** (Di Nicola, 2014; Bressan, 2012; Shelley, 2010). In Article 3, paragraph (a) it states that “[...] ‘trafficking in persons’ shall mean the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or

of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation". The same article further defines exploitation, stating it "shall include, at a minimum, the exploitation of prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs."

State parties are committed to criminalise the forms of conducts under the aforementioned definition, and the description of modes and means of coercion is intentionally left broad as to include a vast range of conducts. Article 3, paragraph (b) also sets out the irrelevance of the consent given at any time by the victims under all circumstances, where one of the means identified in subparagraph (a) is used. Furthermore, the "recruitment, transportation, transfer, harbouring or receipt of a child for the purpose of exploitation shall be considered 'trafficking in persons' even if this does not involve any of the means set forth in the definition" (Aronowitz, 2001, p. 165). The Palermo Protocol entered into force on 25 December 2003 and as of November 2018 had been signed by 117 countries and ratified by 112. The Protocol aims to counter trafficking through judicial and law enforcement means. Its definition provides the common basis for the international community to prevent, combat and punish trafficking, and to identify, protect, and assist victims. Indeed, 15 years after the issue of the Protocol, an increasing number of states have deployed efforts to prosecute traffickers, implemented measures and interventions for the protection and assistance of trafficked people, and to prevent THB (Di Nicola, 2014; Aronowitz, 2001; Antonopoulos & Papanicolaou, 2018).

The EU has also pointed out the urgency of addressing the issue of trafficking in human beings. At the European level, action against trafficking of migrants was undertaken with the adoption of a common framework in 2002.<sup>5</sup> More recently, the Directive of the European Parliament and of the Council of 5 April 2011 on Preventing and Combating Trafficking in Human Beings and Protecting its Victims (Directive 2011/36/EU), has replaced the Council decision, adopting a broader definition of THB aligned to the one set out in the UN anti-trafficking Protocol,<sup>6</sup> while including additional forms of exploitation. In the preliminary remarks (No. 11), Directive 2011/36/EU states that "forced begging should be understood as a form of forced labour or services" and that "the expression 'exploitation of criminal activities' should be understood as the exploitation of a person to commit, inter alia, pick-pocketing, shop-lifting, drug trafficking and other similar activities which are subject to penalties and imply financial gain."

<sup>5</sup> Council Framework Decision 2002/629/JHA of 19 July 2002 on combating trafficking in human beings, OJ L 203, 1.8.2002.

<sup>6</sup> Article 2 of Directive 2011/36/EU defines the offences concerning THB as follows "the recruitment, transportation, transfer, harbouring or reception of persons, including the exchange or transfer of control over those persons, by means of the threat or use of force or other forms of coercion of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation."

One of the biggest challenges in analysing the finances of THB was how to disentangle **the conflation between trafficking for sexual exploitation and prostitution**. The THB for sexual exploitation is deeply interwoven with the domestic and foreign prostitution markets and it is almost impossible to distinguish between these two phenomena since the empirical boundaries between the two are often blurred. Moreover, the legality of prostitution in EU countries varies widely from licensing and regulation of sex work (e.g. the Netherlands, Germany, Austria, Hungary, Latvia), to criminalisation of procurement and operation of brothels (most EU countries) and criminalisation of the purchase of sex (Sweden, France, Ireland), which has direct implications on the legal status of the victims of THB in the different countries. The convergence between prostitution and sex trafficking cannot be ignored and it is essential to understand that this intertwining is not only conceptual, but perhaps even more acute in practice, where the markets of sex work and trafficking often share spaces, operative structures, and actors. Hence, in the economic terms of the “business approach” to organised crime, traffickers adjust their operational strategies to the dominant “business conditions” of the sex markets in order to maximise profits and minimise the risks (OSCE, 2010).

In this regard, looking into the sex work market, its operational structure, and the financial aspects associated with sex trade (whether legal or illegal) is not only unavoidable when trying to determine the financial operations of THB, but rather useful or even necessary, as the exploitation of THB victims in the post arrival phase merges with the broader sex work supply. Taking into account all this in the report, where appropriate both qualitative and quantitative data related to prostitution are used as a proxy for achieving a better understanding of the financial aspects associated with sex trafficking.

## 1.2. FINANCIAL AND SOCIO-ECONOMIC DIMENSIONS OF ORGANISED CRIME

The **spectrum of actors engaging in THB** spans from independent traffickers to more or less structured criminal networks and groups (UNODC, 2010a). Some researchers contend that there is “little evidence of highly structured, hierarchical organised crime enterprises involved in human trafficking” as opposed to “more loosely, organised, entrepreneurial organised crime networks” (Aronowitz, 2009, p. 66). However, some degree of organisation and cooperation between individuals is widely acknowledged as an important feature of many criminal actors engaged in human trafficking (FATF, 2011; UNODC, 2016; Europol, 2016). Therefore, an examination of current understanding of the financial underpinnings of other markets dominated by organised crime is valuable in informing research on THB.

Financial aspects of organised crime and specifically financing of organised crime generally have been conceptualised along **two schools of thought** –



the illegal enterprise model and the social embeddedness approach. Becker (1968) pioneered the study of crime as an economic activity, which is the result of a potential offender's rational calculations:

“The individual calculates (1) all his practical opportunities of earning legitimate income, (2) the amounts of income offered by these opportunities, (3) the amounts of income offered by various illegal methods, (4) the probability of being arrested if he acts illegally and (5) the probable punishment should he be caught. After making these calculations, he chooses the act or occupation with the highest discounted return” (Becker, 1968).

The rational choice assumption has been further developed and incorporated in studies on organised crime. The **illegal enterprise model** treats criminal entrepreneurs as rational actors seeking profit maximisation (Reuter, 1983). The central idea of the illegal enterprise approach has been initially formulated by Smith (1980) in his spectrum-based theory, which contends that illegal entrepreneurship should be considered as part of a wider spectrum of economic activities in a given market that could be ranked on a scale that reflects levels of legitimacy in a given marketplace. He describes illegal enterprises as an extension of legitimate market activities into areas prohibited by law, where they pursue profit via meeting latent illicit demand. Other scholars studying organised crime based on these assumptions thus see illegal enterprises as similar to legal businesses, which allows for their analysis through the application of theories used to explain formal legal organisations and markets (Gottschalk, 2010; Haller, 1990; Schloenhardt, 1999).

Peter Reuter (1983) has been among the first scholars to apply the illegal enterprise approach to conceptualise the financial underpinnings of organised crime. His analysis of the consequences of product illegality posits that unlike licit entrepreneurs, criminal entrepreneurs face numerous constraints to access external credit. The main obstacles are related to:

- lack of separation between the ownership and management in the illicit enterprise;
- lack of standardised and detailed record keeping that provides lenders with sufficient evidence about the assets and financial flows of the borrower;
- lack of legal institutions and mechanisms for dispute settlement and recovering the claim of the lenders in case borrowers fail to meet their contractual obligations.

These constraints for access to external credit prompt criminal entrepreneurs to rely exclusively on reinvestment of the profits from illicit activity in order to grow (Reuter, 1983). Furthermore, the constant threats of law enforcement investigation, arrest and seizure of assets compels criminal entrepreneurs either to pay higher rates to employees to ensure their loyalty or to ultimately limit the number of these employees in order to curb potentially dangerous information leaks as well as operational costs. In addition, very often product illegality also prohibits advertising of the product and thus also naturally limits the market for the illicit



goods. All these factors presuppose that illicit enterprises remain small in size and turnover, ephemeral and with limited geographical scope and range of activity (Reuter, 1983). The constraints that illegal entrepreneurs face can largely be explained by the fact that they operate outside and against the state (Paoli, 2002). These constraints force illegal actors to organise their activity in such a way, so that they minimise the risk of police apprehension. Thus their opportunities for vertical and horizontal integration are practically limited and there are few incentives for consolidation of large-scale, modern bureaucracies. The exception of this tendency are mafia-type associations, terrorist organisations and gangs, which apparently function as something different than simple economic subjects (Paoli, 2002).

The illicit enterprise paradigm has been criticised for failing to account for the fact that organised crime does not occur in a social vacuum. The fundamental argument is that social relations and life events shape involvement in organised crime and developments in criminal careers. In addition, the criminal markets studied by Reuter are exclusively local and the assumptions based on their analysis could not be extrapolated to all criminal businesses, such as drug trafficking (Kleemans, 2013). Building on research into criminal careers of organised crime offenders, scholars argue that understanding about the limits between legality and illegality should be reconsidered, since the career of these offenders start precisely because they have acquired the needed contacts and opportunities from their legitimate business or occupation (Kleemans & de Poot, 2008). The financial stakes and the illegality of the products and/or services supplied in the criminal markets make building trust and curbing distrust a recurring and even more pressing problem compared with legal markets. Furthermore, criminal entrepreneurs operate in insecure and potentially hostile environment where formal mechanisms to secure investments, contracts and goods are absent. However, these business risks are mitigated through the essential role of social relations in the economy – personal reputation and social capital open up new opportunities for pooling and sharing resources including financial resources (Kleemans, 2013).

The **concept of social embeddedness** and the role of social networks in organised crime is widely applied in the mainstream research on organised crime (Bruinsma & Bernasco, 2004; E. R. Kleemans, 2013; Morselli, 2005; van de Bunt et al., 2013). Previous empirical studies have established that social connections and opportunities are vital for the genesis and sustained functioning of organised criminal groups. Social ties and networks are used to motivate and enable criminal entrepreneurship and forge criminal partnerships (Kleemans & de Poot, 2008; Leukfeldt, 2015). Indeed, except for some elite fraudsters, few criminals suddenly engage in major crimes without spending some time in criminal (and sometimes non-criminal) networks (Kleemans & de Poot, 2008; van Koppen et al., 2010) that generate for them a reputation of a varying degree of reliability (Levi, 2015). Social connections provide and facilitate access to criminal opportunities, whereas the criminal social network enables multi-criminality, expansion and sustainability (Leukfeldt, 2015; Kleemans & de Poot, 2008; Edwards & Levi, 2008; Bouchard & Morselli,

2014), including through playing a crucial role in criminal recruitment. In certain contexts, stronger social interactions allow individuals involved in criminal activities to more easily exchange information and know-how that diminish the costs of crime (Lederman et al., 2002). Furthermore, these social interactions may facilitate the influence of criminals on other community members to develop a propensity for crime and violence (Lederman et al., 2002).

In terms of the access to and accumulation of social capital in organised criminal groups, there has been mounting empirical evidence in recent years in support of the argument that cross-border criminal partnerships are in fact less structured, less resilient, and more flexible than previously thought in the traditional models of organised criminality (Kleemans et al., 1998; Kleemans et al., 2002; van de Bunt & Kleemans, 2007; Kruisbergen et al., 2012; Leukfeldt, 2015). Although strict hierarchical lines seem to be lacking in such circumstances, studies nevertheless point to dependency relationships, wherein some actors exert more power and influence than others within the same network. Moreover, such criminals act as nodes that facilitate communication and cooperation with other criminal networks, where they may play a similar role. The persons occupying these roles have been identified to possess and/or control resource that others in the network rely on, such as finances, know-how and connections, i.e. social capital (van der Hulst, 2008). Another important role in the criminal social network is the broker who facilitates connections, communication and cooperation with social structures outside the criminal network, for example in bringing together different social strata, distant geographies, ethnic groups, or in providing links with the licit reality (Leukfeldt, 2015, p. 95).

In addition to examining the mechanisms illicit entrepreneurs use to mitigate the risks they face and to initiate, sustain, and expand their businesses, research has also focused on the **handling of the proceeds of crime** and money laundering – how offenders actually spend their money and try to conceal its criminal background. Normally, offenders do not use their profits to invest but rather spend their money on an extravagant lifestyle, thereby enhancing their prestige among peers (Naylor, 2002). However, conspicuous spending does not preclude the possibility of investment. In various cases, spending money on luxury items (e.g. cars and jewellery) is combined with investments in real estate and legal firms. In those cases, criminal earnings simply are large enough to facilitate both (Kleemans et al. 2002, p. 131).

Usually, when they invest proceeds offenders tend to stay close to home (Kruisbergen et al., 2015). Considerations of proximity and availability seem to be more prominent in driving investment behaviour in comparison to profitability (the standard economic approach: criminal entrepreneurs make cost/benefit efficient investments in a globalised economy) or power (the criminal infiltration approach: organised crime offenders gain power and influence by investing in the legal economy). The distance between the offender and his assets is often unsubstantial, comprising both physical and social distance. They predominantly invest in their country of origin or the country of residence, and their investments

consist of tangible, familiar assets such as residences and other real estate and (small) companies in well-known sectors, whereas purely financial assets, e.g. bonds and stocks in companies in which offenders are not personally involved, are far less common.

However, the processes, actors, and mechanisms involved in financing criminal markets remain under-researched. This gap is significant, considering that accessing capital is an important constraint for some criminals when they seek to become important actors in illicit markets for goods and services (Dean et al., 2010). There is general information available regarding the level of financing required for a criminal group's operations in specific illicit markets, e.g. the illicit drugs market. For example, previous research has shown that financiers are often behind the financing of large-scale trafficking of commodities such as cigarettes or drugs (von Lampe, 2005; Caulkins et al., 2009; CSD, 2012; Rusev et al., 2013; Antonopoulos & Hall, 2016; Di Nicola & Terenghi, 2016). Yet despite the influence of these financiers, they remain outside the scope of analysis of organised crime at EU level, where such information is largely omitted. Even less is known about a number of other illicit markets such as smuggling and trafficking in human beings, counterfeiting of goods and money (cf. Antonopoulos et al., 2018), payment card fraud, trafficking in stolen vehicles, and so on (Antonopoulos et al., 2015). Similarly, the extent to which criminal entrepreneurs also engage in a process that has been defined as "reverse money laundering" where funds from legitimated sources are used illegal for purposes is poorly understood (Antonopoulos et al., 2015). All these issues have been addressed and thoroughly examined within the *Financing of Organised Crime* report, which explored the financial underpinnings of three major organised crime activities – drug trafficking, illicit tobacco trade and organised VAT frauds (CSD, 2015).

### 1.3. THE FINANCIAL MANAGEMENT OF HUMAN TRAFFICKING

As with other illegal activities, the financial management process of human trafficking is still not sufficiently understood. Nevertheless, some studies have explored the financial mechanisms of THB, as well as the illegal markets for sex services. Since the prostitution market in many countries is inextricably linked with trafficking for sexual exploitation, studies which focus on the financial aspects of pimping should also be considered as part of the larger body of literature dealing with criminal money management in the illegal markets for sex services (Dank et al., 2014; Englund et al., 2008; Leman & Janssens, 2008; Petrunov, 2011; Schloenhardt, 1999). The growing body of research that has focused on this criminal activity explores both the factors which make THB a profitable activity, as well as the costs, accounting practices, profits and profit sharing, access to capital, money laundering, and investment.

There are a number of **macro factors that make human trafficking a profitable criminal activity** (Jakobsson & Kotsadam, 2015; Schloenhardt, 1999; Wheaton et al., 2010). Globalisation has eroded borders, facilitating

THB in all stages of this activity – from recruitment through transportation to exploitation (Kara, 2009). Human traffickers take advantage of the difference between the low wages and the lack of employment opportunities in one region and the inverse in another (Wheaton et al., 2010). The desire to migrate has meant that many people have become vulnerable to exploitation (Europol, 2016; Hepburn & Simon, 2013). Similarly, research has been directed towards establishing factors which make certain countries preferred destinations and other key source countries. Legislation with regards to migration and prostitution, size of markets (sex/labour demand), income levels, and purchasing power have been suggested as pull factors, whereas poverty, unemployment, inequality, limited immigration possibilities and the social and economic marginalisation have been suggested as push factors (Jakobsson & Kotsadam, 2015; Schloenhardt, 1999; Wheaton et al., 2010).

Similar to activities in other licit and illicit markets, the objective of THB is the maximisation of profits. The supply of human trafficking victims for sexual and labour exploitation seeks to satisfy the demand for cheap labour (Kara, 2009; Wheaton et al., 2010). Nevertheless, as with other organised criminal activities, research has shown that the role of **social capital and opportunities** – family links, neighbourhood/community exposure (e.g. gang involvement, etc.), recruitment/mentorship by pimp or sex worker, etc. – is important in THB. Cross-border trafficking of human beings involves complex processes of coordination, whereby finding suitable co-offenders requires building of sufficient trust. To become involved in this type of organised crime, offenders have to either join an existing crime group, or start off criminal activities with others and set up a new crime group. Mutual reliance and trust in each other's capacities is essential for successful cooperation. Therefore, organised crime offenders in human trafficking use social ties and networks to establish trust before any cooperation and collusion takes place (von Lampe & Johansen, 2004; van Koppen, 2013). Social relations and network dynamics ensure that the recruitment of new offenders and the creation of new partnerships are not the same as traditional models claim. Family, friends, and acquaintances work together and introduce each other to others and are the base of criminal entrepreneurship and expansion (Kleemans et al. 1998). The concrete financial mechanisms behind THB operations have also been explored.

### 1.3.1. Access to funding and settlement of payments

**Use and access to credit** do not seem to play an important role in human trafficking business, at least according to the scant empirical evidence available. Thus, compared to other criminal markets such as the drug market for example, entry into a prostitution market is not dependent on access to credit facilities (Korsell et al., 2011). Drug traffickers, especially on importation and wholesale levels, periodically need large sums in order to buy merchandise in bulk, so credits are common in this market and access to credit is very important to criminal entrepreneurs. On the other hand, human trafficking is characterised by low need for external financing, as the main costs are related to covering the transportation of

the potential victims, which in most cases is comparatively cheap (Korsell et al., 2011). Generally, traffickers encounter few or no barriers to entry in the THB market (Wheaton et al., 2010), and there are few or no costs related to **market entry** (Leman & Janssens, 2008).

The existing evidence unequivocally shows that cash is the predominant **form of payment** in the human trafficking business (Englund et al., 2008; ILO, 1998; Korsell et al., 2011; Petrunov, 2011). A fine example provides empirical data on the prostitution markets in several cities in the United States (Dank et al., 2014). Most of the interviewed offenders (67% of the respondents) reported that cash was the main form of payment they accepted from clients. However, card payments were also accepted by 10% of the respondents, whereas about 7% reported accepting in-kind payments in the form of drugs or other merchandise – various gifts such as expensive clothes or jewellery. Offenders who reported acceptance of card payments usually maintained a legitimately registered bogus company, which was used as a front such as house cleaning (Dank et al., 2014).

### 1.3.2. Costs for doing business

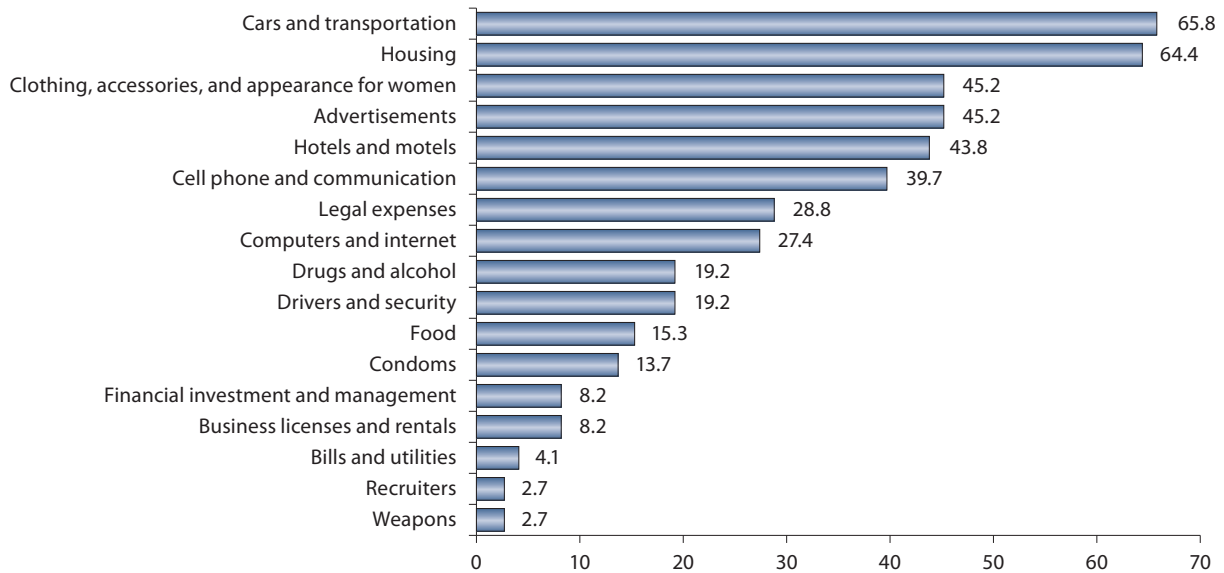
Since traffickers aim to limit costs and maximise profits, it is important to map the applicable costs for engaging in this illicit market (Europol, 2015). Several **types of operational costs** associated with the trafficking operations can be outlined – recruitment fees paid to other sex workers, other traffickers or brothel owners in the country of origin, costs for travel of the trafficked victim (including fees for travel agencies), payments for visas and travel documents, bribes to consulate/border officials, expenses for advertising, rental costs for accommodation and workplace, fees to other facilitators such as hotel employees, taxi drivers, etc. (Englund et al., 2008). Other costs related to trafficking could include corruption payments and payments to facilitators such as bellmen, hotel clerks, bartenders, and cab drivers, as well as for protection to gangs and other entities that provided needed security (Leman & Janssens, 2008; Raphael & Myers-Powell, 2010).

A good illustration of the **costs for maintaining a prostitution business** comes from a comprehensive study of the prostitution market in eight cities in the United States (Dank et al., 2014), based on interviews with 142 convicted offenders. The majority of the exploited sex workers were nationals of the country and were less often trafficked from abroad. Several types of operational costs linked to running prostitution business have been reported:

- Transportation costs – depending on the modus operandi (providing services to client's address vs providing services at a particular venue) some entrepreneurs use personal cars and cover expenditures on fuel or other transportation costs such as car rentals.
- Hotels and motels – when sex workers service their clients in a commercial establishment, their manager covers the costs on renting hotel rooms or maintaining spaces for customer appointments.

- Housing – operational expenditures on apartments and homes for sex workers.
- Appearance – covering some or all of the costs for clothing, makeup, hair, nails, and accessories for the sex workers.
- Advertising – expenses directly related to producing and disseminating advertisements, which can include producing professional photographs and the cost of posting the advertisements on a website or in a print source. Although online expenses were deemed lower, advertisements need to be re-posted, sometimes multiple times a day in order to remain at the top of the websites.
- Communication expenses – business-related charges for cell phones and mobile plans. Many of the interviewed respondents chose to use prepaid phones, which allowed pimps to regulate the number of minutes available and the money invested into each phone. The additional benefit of using prepaid phones is that they could easily be replaced, and thus the risk to be traced by law enforcement is minimised.
- Legal fees – lawyer fees resulting from arrests of employees or the pimps.
- Additional costs – payment for other employees such as drivers, bodyguards, recruiters, traffickers.

FIGURE 1. BUSINESS-RELATED EXPENSES, %



Source: Dank et al., (2014), p. 205.

Costs associated with trafficking in human beings can be generally categorised according to the stages of the trafficking process – recruitment, transportation, and exploitation. In other criminal markets, the sale of an illicit product (arms or drugs) is usually preceded by incurring the cost of production or purchase. On the other hand, in THB victims are



often lured into the trafficking network by deception, violence or the exploitation of a relationship of trust. Due to the large pool of potential victims in search of a better life, the recruitment costs are very low (Kara, 2009). Nevertheless, some recruitment costs are incurred. Some traffickers employ (fake) employment agencies, newspaper advertisements, distribution of business cards in shops and restaurants, as well as the placing of online ads to find victims.

The existing empirical evidence suggests that the **main costs of human trafficking** are incurred for transportation to the destination (Balarezo, 2013). These expenses can include buying the means of transport or payment to someone to escort victims to the destination. Alternatively, the price of a plane or bus ticket or fuel costs are needed. More violent and profit driven criminal groups might attempt to lower the costs of transportation to a point where the victims' lives are threatened – victims getting sick while being transported might not be provided with any medical care (Shelley, 2010).

A substantial cost related to transportation is the securing of counterfeit or forged documents (Wheaton et al., 2010). Corruption is an often used mechanism to facilitate travel, especially from countries of origin with more barriers for legal migration to the desired destination. It is an important cost for traffickers (Council of Europe, 2002; Kemp & Raijman, 2014; Shelley, 2010) both in terms of facilitating transportation and subsequent exploitation. Government officials in the countries of origin and the recipient countries – e.g. border guards, customs officials, consular officers and other diplomatic personnel – are bribed or extorted. A corrupt official might be actively involved, for example, by informing traffickers on controls and thus facilitating passage, or alternatively the service might be passive such as when officials fail to react by turning a blind eye (Aronowitz, 2009; Kemp & Raijman, 2014; Shelley, 2010). Traffickers might secure multiple work permits or visas, which serve to strengthen control over the victims by using the threat of being sent back due to the withdrawal of the residence permit (Kemp & Raijman, 2014).

Depending on the structure of the criminal group or network, salaries or ad-hoc payments to participants, associates or intermediaries are another important expense. Traffickers who are steady part of a criminal group might receive a salary, while others are only loosely associated and are paid on a freelance basis (Leman & Janssens, 2008). Depending on the size of the group or network tasks might be outsourced or taken care of in-house. The former approach generally includes legal consultations or other specialised services such as the production of counterfeit or forged documents (Leman & Janssens, 2008).

### **1.3.3. Pricing, profit and profit sharing, accounting practices**

Generally, the profits of traffickers can be categorised as profits generated through the sale of trafficked persons to exploiters and profits of the exploitation itself (Kara, 2009). As many trafficked persons are

lured, seduced or actively looking for help with finding a job and accommodation in a wealthier country, they (or their family) are paying for this service. Normally this payment is made prior to the departure (Kane, 2013; Salt & Stein, 1997). In arrangements where the victims of trafficking are sold or re-sold, the price will vary strongly depending on the region of destination (Wheaton et al., 2010).

Sex workers are often considered as generating most profit out of all the trafficked persons (Kara, 2009) and they are often forced to hand their wages over to the traffickers (Aronowitz, 2009; Europol, 2015). Not surprisingly, **pricing** of sex services varies significantly. Price ranges for various parts of the world have been reported, including Europe (Englund et al., 2008; Korsell et al., 2011; Mancuso, 2014; Petrunov, 2011), North America (Cunningham & Kendall, 2014; Dank et al., 2014; Horning & Sriken, 2017; Levitt & Venkatesh, 2007; Raphael & Myers-Powell, 2010; Rosen & Venkatesh, 2008), Latin America (Blanchette & Da Silva, 2017; Zhang, 2011), and Asia (ILO, 1998; Li, 2014). The amount paid for the sexual services depends on the economy of the country. The estimated prices for sexual intercourse varies from US\$15 in Asia and Sub-Saharan Africa up till US\$100 in more industrialised countries (Belser, 2005). The total profit will depend on the amount of hours worked by the victim (trafficked person). Most often rates are charged by time increment or by sex act and sometimes by date (Dank et al., 2014).

Prices are reported to change over time due to various factors. For example, crack cocaine epidemic in the 1990s and 2000s in the United States brought many young women on the streets and the prices fell due to tighter competition (Dank et al., 2014). Internet played somewhat similar role, since it facilitated further expansion of the sex market, provided for easier market entry and increased competition, putting downward pressure on price levels. On the other hand, the internet also broadened the client base, which to some extent neutralised the effects of the increased competition (Dank et al., 2014; Marcus et al., 2016). Prices also differ with regards of the type of sex services provided and the market segment where the sex workers operate – e.g. escort services, sex services in brothels or other in-door venues, street prostitution (Dank et al., 2014; Englund et al., 2008; Petrunov, 2011). The use of condoms is also reported to affect the price of sex services (Finn & Stalans, 2017; Levitt & Venkatesh, 2007). Another factor that influences price difference is the type of customer – e.g. new customers pay more than regular customers. Price ranges may also differ depending on the racial background of customers and price peaks around major events or holidays (Levitt & Venkatesh, 2007).

The involvement in the sex market arguably also bears some opportunity cost for the sex workers and it can be used to explain the pricing of sex services. Thus, some authors have tested and provided evidence for the theory that sex workers (specifically in the high-end, escort prostitution) charge higher fees to compensate for the lost opportunity to participate in the “marriage market” (Edlund et al., 2009). An alternative theory emphasises on labour market as opportunity cost, since sex workers in



high-end prostitution market generally earn more than twice the typical earnings of non-manual workers and more than three times that of manual workers (Moffatt & Peters, 2004; Levitt & Venkatesh, 2007).

**The management of the criminal finances** in human trafficking/prostitution businesses appears to be deeply entangled with control over sex workers. This is exemplified by the ratio of earnings kept by the sex worker and the pimp/collected by the trafficker, the accounting practices of traffickers and the imposition of daily quotas to the sex workers. In more exploitative trafficking arrangements, payments to victims of human trafficking are low and in some cases non-existent. Often (sex) workers work long hours for a low salary, sustenance is subtracted from their wages, and health conditions are poor (Europol, 2016).

A number of strategies are used to keep victims in an exploitative situation. Debt bondage is one of the key mechanisms to establish and exert control over the victims (Englund et al., 2008; Korsell et al., 2011; Petrunov, 2011) and results in the victims keeping a small proportion of the money they earn (Europol, 2016). In most cases the sex workers are expected first to repay the costs for their recruitment and transportations to the destination country often with highly inflated rate of interest (Korsell et al., 2011; Schloenhardt, 1999; Wheaton et al., 2010). Victims end up in an exploitative situation where they have to pay off the debt through working, often in industrial sweatshops, as sex workers, drug carriers or as virtual prisoners (Aronowitz, 2009; Belser, 2005; Europol, 2016; GLA, 2015; Kane, 2013; Salt & Stein, 1997; A. Schloenhardt, 1999; Wheaton et al., 2010). Often the freedom of the trafficked person is restricted, as he/she is not allowed to leave until the heavy debt is paid off. Even after the initial debts have been repaid, some victims continue to work for traffickers throughout their lives (Aronowitz, 2009). In many cases, victims are expected to cover all their living expenses and the operational costs of the business from their share. In labour trafficking, some employers keep part of the wages due to lack of skills of the workers, as money presumably used for the “training” the victims (Bressán & Arcos, 2017).

However, arrangements where victims retain more of the revenue have also been reported. For victims of trafficking who are paid, there are differing estimates of the money they are allowed to keep for themselves. Some studies have reported that victims receive around 30-40% of the total turnover (Belser, 2005; Bressán & Arcos, 2017). Even then, however, sex workers seem also to be regularly fined by the traffickers for numerous reasons such as not meeting their daily quota of earnings, tardiness, improper clothing, attempts to escape, etc. Therefore they often receive not more than 10% of their earnings (Dank et al., 2014; Englund et al., 2008; Leman & Janssens, 2008; Petrunov, 2011) or sometimes even 2-3% of the price paid by the customer (Bressán & Arcos, 2017).

Human traffickers and pimps employ basic **accounting and bookkeeping practices** in order to assure proper management of their finances and track record of the earnings and costs associated with the business. Usually the sex workers are obliged to keep a record of the payments,

although traffickers also use variety of techniques to cross-check the declared amounts such as supervisors, secret clients, etc. (Dank et al., 2014; Korsell et al., 2011; Petrunov, 2011). This also allows them to closely monitor the sex workers and control their earnings (Petrunov, 2011). Among other financial aspects of human trafficking many researchers reported the impositions of daily quotas to be reached by the sex workers or providing performance incentives in order to encourage maximum earnings. The quotas may vary depending on the time of week and anticipated demand (Dank et al., 2014; Englund et al., 2008). Since the traffickers/pimps expect certain revenues from the sex workers they not only facilitate contacts with clients but also use variety of methods to ensure that the managed sex workers will make more money (Englund et al., 2008; Levitt & Venkatesh, 2007; Petrunov, 2011).

#### 1.3.4. Handling of proceeds

Much of the revenue generated from the sex work is used for immediate consumption by both the sex workers and the traffickers, **money laundering** appears to be used rarely. However, both sex workers and traffickers do tend to send part of their profits to their countries of origin (Englund et al., 2008; Leman & Janssens, 2008; Petrunov, 2011). Various techniques are used – smuggling of the cash across borders, use of money transfer services such as Western Union and Money Gram, informal value transfer services such as hawala, purchasing of goods – i.e. trade-based money laundering (FATF, 2011; Petrunov, 2011). In cases related to labour trafficking, shell companies, which are specifically set up to employ trafficked persons play an important role. Eventually the accounts of these companies are credited through payment of invoices for services and thus traffickers are able to monetise their illicit services (FATF, 2011).

The process of money laundering usually starts with stockpiling the generated revenues in cash and then transferring it in small amounts to the country of origin. In cases related to sex trafficking, the cash smuggling is done either by the sex workers themselves or by associates of the traffickers who act as cash couriers. Another common method is the use of money remittance companies. However, traffickers try to obfuscate the money trail and conceal the actual intended recipient, so usually the sex worker transfers the amounts to family members or close relatives or designated persons with false IDs. The third technique used is import/export companies to buy goods, which are subsequently sold in the country of origin. Such goods are reported to include new and used cars, caravans, yachts, heavy-duty machinery, construction equipment, furniture, clothes, shoes, leather goods, jewellery, watches, perfumery, etc. In many cases traffickers establish companies in their countries of origin, which then sell these goods (FATF, 2011; Petrunov, 2011). In cases where the money is to be invested in property or some legitimate business, traffickers take certain steps to conceal the origin of the funds. They use a variety of techniques for this purpose such as declaring loans or donations received from physical and legal persons, fictitious gambling and lottery game wins, mortgaging real estate property, etc. (FATF, 2011;

Petrunov, 2011). Part of the money that was laundered and sent to the country of origin will be returned to the country of exploitation to address some of the costs of the ongoing trafficking business. This can be in the form of money to pay for rent and food, but also in the form of real estate, bought to facilitate subsequent exploitation (e.g. a shop or a bar) (Europol, 2015).

Most evidence suggests that in the human trafficking **business investments in the legitimate economy** rarely take place and traffickers generally use simple money laundering methods. Moreover, even these are rarely used, since most of the earnings are used for immediate consumption (Eglund et al., 2008; Petrunov, 2011). Existing empirical evidence suggests that about 8% of the traffickers eventually invest in legal businesses (Dank et al., 2014). However, when traffickers decide to invest – they usually follow two approaches. The first is to invest in property or business that will facilitate their criminal business such as apartments or nightlife venues either in the destination or country of origin. Thus, as property owners they are able to eliminate the need to pay rent for business facilities, which is a substantial expenditure. Nightlife economy venues could be used either to procure sex services or to recruit new “employees” (Petrunov, 2011). The second approach is to invest the proceeds in legitimate business that will allow them to step out of the criminal business, when they are ready to retire. Investments in a variety of sectors of the legitimate economy were reported – agriculture, construction and real estate, logging, transport, retail and tourism, retail stores, hotels, coffee bars, restaurants, dance clubs, casinos, auto body shops, etc. (Dank et al., 2014; FATE, 2011; Leman & Janssens, 2008; Petrunov, 2011). Apart from investments in the legitimate industry, traffickers might **invest part of their profits into other criminal businesses** such as loan sharking, illegal gambling, and other betting games (Petrunov, 2011).

## 1.4. METHODS AND DATA

The current study explores how criminal actors involved in this illegal activity manage their criminal finances: how they access and raise capital for launching new or running their established criminal business, how they manage financial flows into and out of their criminal enterprises, how they settle payments, how and where they invest their profits. The study focuses on two forms of THB, namely trafficking for sexual and labour exploitation.

The study relied on in-depth country case studies for the primary data collection. The country case studies have been conducted in nine EU member states (Belgium, Bulgaria, Italy, France, Germany, the Netherlands, Romania, Spain, and the United Kingdom) with the collaboration of country researchers with a good track-record in conducting field research and well-established contacts with relevant national authorities. The countries have been selected in a way that allows covering both major countries of origin and major end destinations. The selection of the

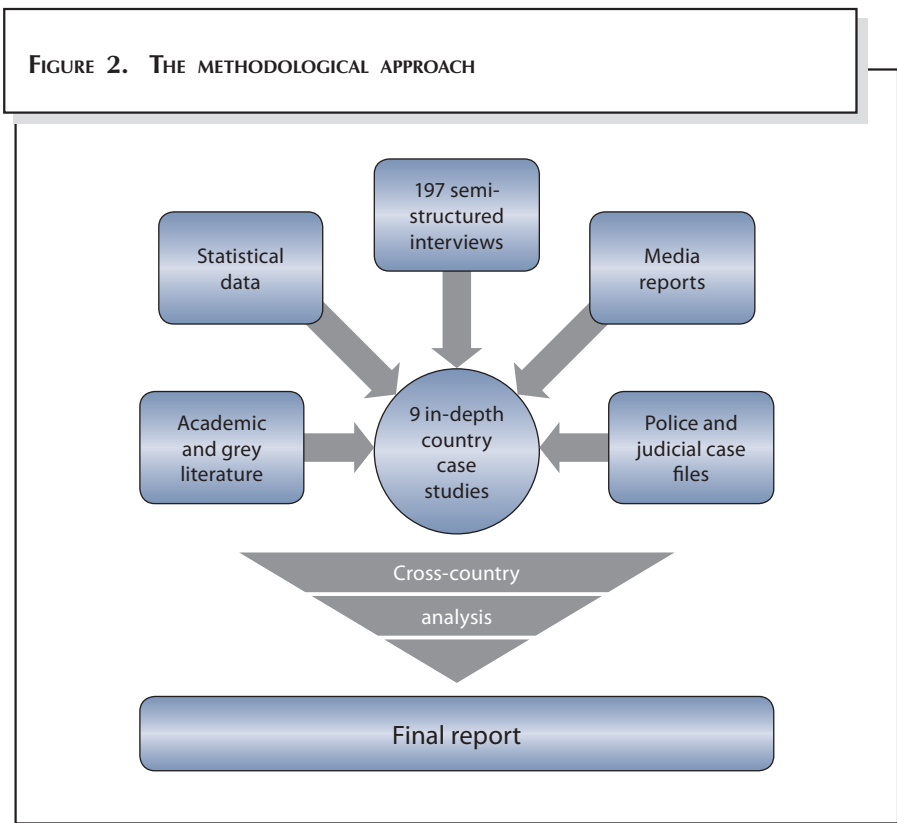
countries also responded to the need to assure both proper geographical coverage and inclusion of countries with diverse legal regimes of the sex markets – e.g. penalisation of sex buyers (France), legalisation and regulation of prostitution (Germany and the Netherlands) or criminalising only the organisation of prostitution (Belgium, Bulgaria, Italy, Romania, Spain, and the United Kingdom).

Each of the country case studies was based on the data gathered from the following sources:

- **Academic and grey literature** on financing of organised crime generally and human trafficking specifically – the review included academic articles and reports by research institutes, reports by governments, national and international law enforcement (Europol, national crime agencies, etc.), international organisations (ILO, UNODC, FATF). The available literature reviewed was in a variety of languages such as English, Bulgarian, Romanian, Italian, Dutch, French, German, and Spanish.
- **Statistical data** – figures on human trafficking were gathered from sources at the international and national level. Wherever possible, data was collected from sources using a standardised methodology in order to ensure comparability.
- **Semi-structured interviews** with a variety of stakeholders related to human trafficking – experts (police officers, investigators, officials from national rapporteurs, prosecutors, lawyers, criminologists), victims of trafficking and perpetrators. A total of 197 interviews were carried out in the nine countries.
- Police and **judicial case files (Bulgaria, France, Italy, the Netherlands, Spain, and the United Kingdom)** and/or **media** reports (all countries).

The in-depth interviews were conducted implementing a common protocol, which was designed to facilitate consistency of data collection and subsequent analysis of the different aspects of criminal money management. The interview protocol was designed in 2 versions – one for law enforcement and judicial experts and one for criminal entrepreneurs. Both versions covered the same topics, including: initial capital for financing of THB activities (market entry thresholds, sources of capital, access to external capital), criminal money management (type and structure of costs, forms and settlement of payments, handling of profits), role of the internet and new ICT and their impact on criminal money management.

The respondents for the interviews were identified in three main ways. Most of the interviewed experts identified through official correspondence with government, judiciary, and law enforcement bodies, as well as non-governmental organisations. Similarly, in order to conduct interviews with offenders in prison, official request to prison administrations were submitted and subsequently an informed consent from the prison inmates was obtained. Due to the long and burdensome procedures, country researchers in only half of the countries (Belgium, Bulgaria, Romania, and Spain) managed to arrange for such interviews. Secondly, respondents were usually asked to recommend other relevant experts and thus through



a snowball sampling new interviewees were identified. The third method used was to approach participants in previous work in the field of organised crime and also through their recommendations to enlarge the sample of respondents. In many cases, the conducted interviews were supplemented and augmented through follow-up meetings and additional information acquired via phone or email correspondence.

The country researchers also consulted public court case files. Some country researchers requested and were granted access to confidential police or prosecution files on THB cases (France, the Netherlands, and the United Kingdom). Unlike court decisions that usually

provide scarce information on the financial aspects of the crime, police files and indictments contain much more information, which during trials is often disregarded as irrelevant. This is why access to such documents proved quite valuable sources of information.

Data collection in each country followed the common **ethical standards** for studies of similar kind such as obtaining informed consent from each interviewee and protecting their anonymity. Human rights, dignity and fundamental freedoms of all respondents were respected and all personal data was handled according to national and the EU data-protection legal framework. The analytical outputs also do not contain any personal data. The data collected within the current study has informed two levels of analysis presented in this report – a general overview of the financing of human trafficking for sexual and labour exploitation and national-level analyses of THB for each of the covered nine EU countries.

The selected methods and data sources are not without **constraints**. Data retrieved through interviews with representatives of the official authorities (police officers and prosecutors) is often prone to limitations such as the level of competency and experience of the respondents, institutional priorities and broader political agendas. Another shortcoming of such official accounts reportedly is the stereotyping of “organised criminals,” which eventually disregards the broader social and cultural context in which they operate (Hobbs & Antonopoulos, 2014). Similarly, interviews with criminal offenders are often burdened with issues such as accountability and validity of the information shared, as well as selection bias due to impossibility to assure representativeness of the interview sample thus usually limiting the focus to criminal actors operating on

small scale (e.g. Zhang & Chin, 2004; Zhang, 2014). Media sources are also susceptible to various biases – they usually cover cases which have been brought out to the public by the official authorities and therefore only portray success stories, not to mention the sensationalism and moralistic way of conveying the information. These characteristics substantially decrease the empirical value of media sources for analytical purposes (Antonopoulos & Hall, 2015). The efforts to overcome these limitations included cross-checking and triangulation of data through different sources. This allowed most dubious accounts to be eliminated and a certain level of data quality and robustness to be achieved.



## 2. MARKET STRUCTURE AND SOCIAL ORGANISATION OF TRAFFICKING IN HUMAN BEINGS IN THE EU

Trafficking in human beings represents a serious crime and an abuse of the fundamental rights and dignity of individuals. Victims of trafficking, also defined as “modern day slaves” (OSCE, 2005), are children, women, men that suffer different forms of exploitation and are forced to work in prostitution, strip clubs, sweatshops, agricultural businesses, service industries. Specific factors point to the increase of trafficking in human beings. First, the high number of persons that make use of the services of traffickers due to poverty and lack of opportunities to improve their life conditions. Second, the presence of porous borders (such as the ones of the former Soviet Union); or, conversely, tighter controls, less chances for legal migration that force migrants to use illegal services (Salt, 2000; Di Nicola, 2014; Shelley, 2001; Aronowitz, 2001). Third, globalisation and advanced communication technologies. More recently, the consolidation of criminal networks and their increased sophistication of the methods used for trafficking (Aronowitz, 2001; 2009; Zhang, 2007; Di Nicola, 2014). But what is trafficking in human beings? And what is its extent and nature? Furthermore, who are the criminal entrepreneurs involved in this criminal market and what are their social organisation and business models of exploitation in the EU?

Drawing from the extant literature and the country case studies developed during a research on financing of trafficking in human beings carried out in 2017 – 2018 in the nine EU countries, the present chapter deals with:

- the definition of trafficking in human beings at the international and European levels and with reference to two main forms (i.e., sexual and labour exploitation);
- the extent of trafficking also highlighting the challenges related to estimations;
- the organisation and structure of the actors involved in this criminal market;
- the business models of trafficking and exploitation in the countries of destination of the victims.

### 2.1. EXTENT OF TRAFFICKING IN HUMAN BEINGS WITHIN THE EU

Starting from the year 2000, the number of publications on THB has increased rapidly in light of the political interest following the introduction of the UN Palermo Protocol, and of the growing national and international attention also reflected in the rise of the number of programmes to prevent and counter trafficking (Laczko, 2007). Data

on the extent (numbers of victims and/or traffickers) of trafficking of human beings are collected at the EU level by various governmental and inter-governmental bodies, law enforcement agencies (LEAs) and non-governmental organisations (NGOs), as also reflected by the country case studies (Table 1). Eurostat has compiled the first two working papers with statistics on trafficking in human beings in all 28 EU member states, while at the EU level there is an EU anti-trafficking coordinator and a network of appointed national rapporteurs that are supposed to collect data at the national level (European Commission, 2015).

**TABLE 1. INSTITUTIONAL SOURCES OF DATA ON TRAFFICKING IN HUMAN BEINGS IN NINE EU COUNTRIES**

Country	Source of data
The Netherlands	Coordination Centre for Human Trafficking (CoMensha)
UK	National Referral Mechanism (NRM), Modern Slavery Human Trafficking Unit (MSHTU)
Belgium	Interdepartmental Coordination Cell (including all the actors involved in the fight against trafficking in human beings), private authorities (e.g., Myria)
France	Central Office for Combating Human Trafficking (OCRTEH)
Italy	Department of Equal Opportunities, NGOs, International Organisation for Migration
Spain	Central Unit for Illegal Immigration and Document Falsification Networks (UCRIF), Foreign Nationals Unit of the State Prosecution Office
Germany	German Federal Office of Criminal Investigation (BKA)
Romania	National Agency against Trafficking in persons (ANITP), Directorate for Countering Organised Criminality (anti-organised crime prosecution office – DIICOT)
Bulgaria	National Commission for Combatting Trafficking in Human Beings

*Source:* Authors' elaboration on data of country case studies.

Despite this, the scale of trafficking in human beings within the EU is difficult to estimate due to several reasons. As stated by Europol (2016, p. 9), "human exploitation can be hidden behind other criminal offences, such as prostitution, irregular migration, property crime or even labour disputes. Victims are often exploited in multiple ways or may be involved in other illicit activities, resulting in cases of THB not being investigated or recorded as human trafficking. Moreover, differences in national legal definitions of THB hinder the comparison and assessment of common trends and patterns across the EU". Other factors, as underlined by some scholars (Di Nicola, 2007; Aromaa, 2007; ILO, 2012; Goździak, 2015; Laczko, 2007; OSCE, 2005; Zhang, 2009; Tyldum 2010) and by all the country cases studies, are responsible not only for the lack of



precise estimations on THB but also for the almost impossibility to compare the collected data among regions. First, the clandestine nature of trafficking, which allows to measure only the tip of the iceberg, and the fact that data may reflect law enforcement agencies, prosecution, and non-profit organisations' activities. Second, the lack of awareness and understanding of the signs of trafficking by institutions and police forces. Third, the weak legal status of victims in the legislations of most countries or the fear of intimidation and retaliation on the side of traffickers/exploiters, which prevent them from reporting or collaborating with the police. In the case of labour exploitation, in particular, victims may not even perceive themselves as such (Nicolae, 2018). Finally, the difficulty for researchers to access police databases both in the EU and in non-EU countries. As reported in the country case study of Belgium, also confirmed by the other studies, "seeing that [trafficking in human beings] is a gravely underreported phenomenon any claims regarding [its] incidence cannot be substantiated" (Raets & Janssens, 2018). Consistently, limits in collected qualitative information have been underlined with reference to sampling and representativeness of results, data collection techniques (i.e. questionnaires, interviews) and source of data (i.e. victims, stakeholders, etc.) (Di Nicola, 2014). As a consequence, the data presented are indicative.

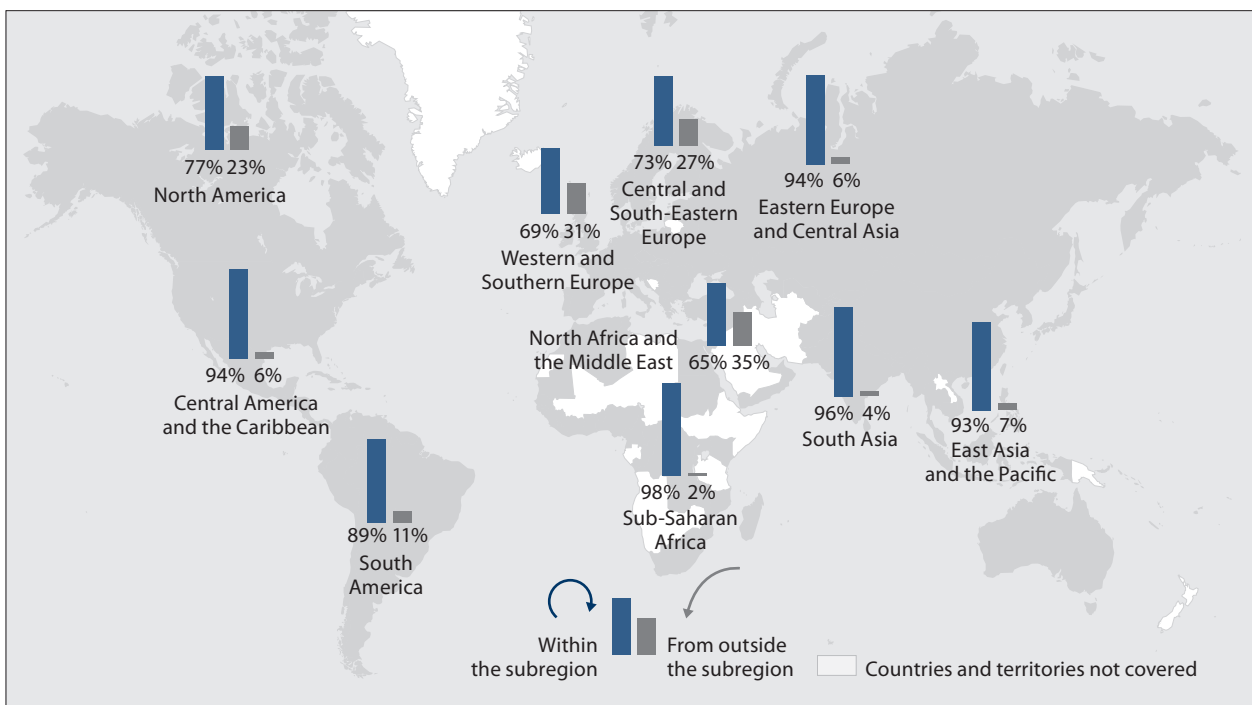
The last data available at the EU level for the period 2013 – 2014 (European Commission, 2016), report a total of 15,846 (identified and presumed) registered victims per 100,000 inhabitants (EU-28), with 65% of the registered victims being EU citizens, 76% women and 15% children. Consistently, in 2012 the majority of detected victims were females, 75% of whom in 24 member states (Eurostat, 2015), although the trend worldwide during the period 2004 – 2014 was of an overall decrease in the share of detected female victims and an increase in the share of detected male victims (more than 1 in 5 detected trafficking victims) (UNODC, 2016). In particular, the increase in the share of detected men has been registered mostly in Europe, Central Asia, and South America (25 countries). As for children victims of THB, data suggest that they are detected more often in Sub-Saharan Africa, Central America, and the Caribbean, and less in wealthier countries of North America, Europe, and the Middle East (UNODC, 2016). In the period 2013 – 2014, trafficking for sexual exploitation appears the most widespread form (67% of registered victims), while labour exploitation accounts for 21% and 12% for other forms of exploitation. The majority of victims trafficked for sexual exploitation were women (96%) and, conversely, the majority of trafficked victims for labour exploitation were men (74%). As for the nationalities of victims, the top five within the EU were Romanian, Bulgarian, Dutch, Hungarian, and Polish. The most represented non-EU nationalities were Nigerian, Chinese, Albanian, Vietnamese, and Moroccan.<sup>7</sup> Similar

<sup>7</sup> Information about victims has been collected from various sources: police (as the main source), NGOs, immigration services, border guards and labour inspectors. In line with Directive 2011/36/EU, "identified victims" are individuals formally identified by the relevant authorities as victims of THB. "Presumed victims" are trafficking victims that have met the criteria of the Directive but have not been formally identified by the relevant authorities or who have declined to be formally or legally identified as victims of THB. Data referring to "registered victims" include both types (Eurostat, 2015).

estimations of the number of trafficked victims identified in Europe are provided by the US Department of State (2016) which reports a total of about: 11,905 victims in 2012; 10,374 in 2013; 11,910 in 2014, and 11,112 in 2015.

According to UNODC (2016), the majority of victims (57%) were trafficked transnationally (i.e. crossing at least one international border); the remaining were trafficked within national borders in the period 2012 – 2014. As for the repatriated victims of trafficking, about 77% were trafficked to countries of the same region. The remaining 23% were trafficked to other regions, the countries of Western and Southern Europe and the Middle East being the most prominent destinations areas (UNODC, 2016). Victims coming from Europe, South America and West Africa are usually trafficked to Western and Southern Europe; while victims from Asia and East Africa are generally trafficked to the Middle East (Figure 3).

**FIGURE 3. MAIN DESTINATIONS OF TRANS-REGIONAL FLOWS AND THEIR SIGNIFICANT ORIGINS, 2012 – 2014**



Source: UNODC (2016).

Western and southern regions of Europe are destinations for trafficking flows originating in many other regions. According to UNODC (2016, p. 75), “137 different citizenships from all regions were detected in or repatriated” from these areas and much of the trafficking flows were of domestic type. During the period 2012 – 2014, EU countries represented the main origin of trafficking and about 47% of the detected victims in Western and Southern Europe were trafficked from Central and South-

Eastern Europe.<sup>8</sup> Victims from Central Europe were found in France, Germany, the Netherlands, and the United Kingdom (Figure 4).

**FIGURE 4. ORIGINS OF DETECTED TRAFFICKING VICTIMS IN WESTERN AND SOUTHERN EUROPE, BY SUB-REGION**



In particular, main trafficking flows to Western and Southern Europe originate from: a) Central and South-Eastern Europe, with a significant number of Bulgarian and Romanian victims; b) West Africa, with Nigerian victims detected in Scandinavia, France, Germany, Ireland, the Netherlands, the United Kingdom, and Southern Europe; c) East Asia, with victims from China, Indonesia, the Philippines, Thailand, and Vietnam. The trend in the trafficking flows of the last decade shows a decrease in the number of victims from Eastern Europe and Central Asia. More recently, also flows from West Africa have decreased in parallel with an increase of the flows of trafficking from East Africa. “If current trends continue over the next years, trafficking into Western and Southern Europe will become even more regional and local. Most trans-regional flows appear to be decreasing, while intraregional flows are growing. This is particularly true for the flows from Central and South-Eastern Europe” (UNODC, 2016, p. 77).

Within Europe, Italy represents one of the main entry points for trafficked victims – especially from Africa due to the key role of the Central

<sup>8</sup> The countries in Western and Southern Europe are: Andorra, Austria, Belgium, the Netherlands, the United Kingdom, Ireland, Denmark, Norway, Sweden, Finland, Switzerland, Germany, France, Spain, Portugal, Italy, Greece, Malta, and Turkey. The countries in Central and South-Eastern Europe are: the Czech Republic, Estonia, Hungary, Latvia, Poland, and Slovakia (Central Europe); Albania, Bulgaria, Montenegro, Romania, Serbia, Slovenia, and the former Yugoslav Republic of Macedonia (South-Eastern Europe) (UNODC, 2016).

Mediterranean route (Terenghi & Di Nicola, 2018) – who are either exploited in the country or further trafficked to other EU countries.

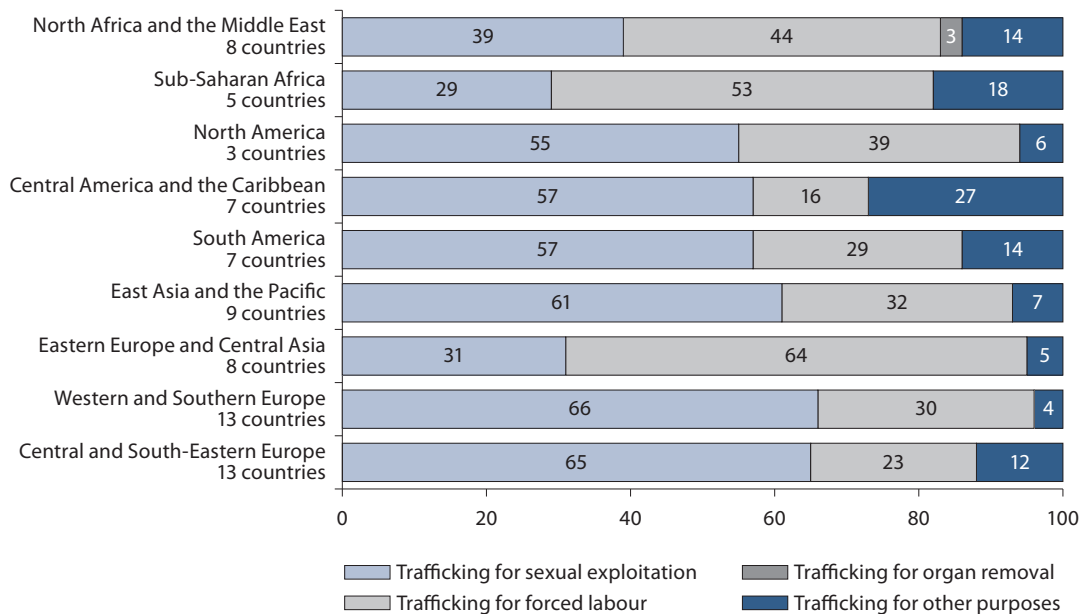
Data from Frontex (2017, p. 8) underline that since 2014 the number of detections of illegal migrants crossing the Central Mediterranean Sea has exceeded 100,000. This increase is driven by the pressure of migrants who arrive in Libya (the main point of gathering) and subsequently try to enter into Europe (both trafficked and illegal migrants). Even if the routes of migration change over time and quickly, also due to LEAs counteraction and/or political agreements among EU/third countries, at present three routes are used from Sub-Saharan Africa to Italy and then other European countries: a) the Western route where the main source countries are Mali, The Gambia, and Senegal; b) the Central route starting from Nigeria, and passing through Agadez in Niger or Chad and converging in Libya; c) the Eastern route for which source countries are mainly Somalia, Eritrea, and Sudan and which usually cuts north through Sudan and Egypt and then along the coast of Africa (Terenghi & Di Nicola, 2018). Similarly, Spain is another country used by traffickers as an entry point to Europe from Sub-Saharan Africa passing through Morocco (Meneses-Falcón et al., 2018).

### **2.1.1. Sexual and labour exploitation: main definitions and trends at the EU level**

Trafficking for sexual exploitation includes the exploitation of persons into prostitution and similar markets, such as pornography (UNODC, 2016; Hodge & Lietz, 2007). Forced labour is defined in Article 2 of the ILO Forced Labour Convention, 1930 (No. 39) as “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.” It is estimated that in most regions worldwide, detected victims of sexual exploitation are mainly females (about 23,000 between 2012 and 2014), a trend which is decreasing compared to previous years and in line with estimations at the EU level (22 member states), where for the period 2010 – 2012, 95% victims were females, and 4% males (% of total number of registered victims). In this regard, the female victims exploited in the sex market are increasingly minors (see also Oude Breuil et al., 2018; Antonopoulos, 2018; Lalam, 2018; Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018; Sireloundi, 2018; Nicolae, 2018). Trafficking for sexual exploitation is reported mostly in Western and Southern Europe (where also the few males were detected) and Central and South-Eastern Europe. In the sub-regions of the latter, victims trafficked for forced labour range around 20-30% of the total number of detected victims (UNODC 2016; Eurostat, 2015) (Figure 5).

As underlined in the literature (Europol, 2016; US Department of State, 2016; Smit, 2011; ILO, 2012) and the country case studies, labour exploitation within the EU is a current and increasing form of exploitation due to the high demand for services at low cost by producers and consumers. It seems, however, to remain under-recorded compared to sexual exploitation for reasons such as different priorities of the police

**FIGURE 5. SHARES OF EXPLOITATION TYPES AMONG DETECTED TRAFFICKING VICTIMS, BY REGION OF DETECTION, %**



Source: UNODC (2016).

and the prosecution, lack of specific national laws, isolation of victims and their lack of awareness of being exploited or even reluctance to admit this condition. Thus, Romanian victims (especially men) hardly accept to consider themselves victims of trafficking (Nicolae, 2018). This type of abuse displays in different ways, where the common element is the violation of workers’ rights in terms of dignity and working conditions (e.g. intimidations and physical violence, extremely long hours of work, unhealthy conditions), done in order to maximise profits. Victims of labour exploitation are usually employed in less regulated industries which in many cases “require cheap and temporary manual labour [force]” (Meneses-Falcón et al., 2018). As underlined in the Belgian country case study, “the posting of workers from low-wage in high-wage countries lends itself well to [this] purpose, as it enables the entrepreneur to employ workers in the country of destination under the conditions of the country of origin. These type of secondment schemes or social dumping practices are frequently accompanied by bogus self-employment ploys. By falsely declaring workers as self-employed, the enterprise is no longer bound by regular terms of employment” (Raets & Janssens, 2018).

The main economic sectors of employment, across Europe, are the following: agriculture, forestry, catering industry, construction and textile industries, manufacture, housework, logistics (transportation), wholesale and retail distribution, hospitality industry, service establishments (e.g., nails salon, car washes, garages, cleaning services, tanning salons, service stations), and restaurants. In Italy, for example, agriculture is one of the main sectors of labour exploitation both of nationals, trafficked victims

and irregular migrants. This is due mainly to the need for farmers to have a flexible labour force in the very last minute and to cut harvesting and production costs in line with the very low prices at which major multinational corporations purchase agricultural products (Terenghi & Di Nicola, 2018). In minor cases, other forms of labour exploitation have been reported as well (Raets & Janssens, 2018; Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018; Nicolae, 2018; Rusev et al., 2018), such as forced begging or pickpocketing, forced criminality (for example drug dealing, theft), sham marriage.

As for the nationalities of trafficked victims within the EU, according to some country case studies (Table 2 and Table 3) sexual exploitation involves women and girls mainly from Bulgaria, Hungary, Romania, Slovakia, and more recently Lithuania (years 2013 – 2014) (Europol, 2016; Siegel and de Blank, 2010; UNODC, 2010b; Becucci, 2008). In the period 2010 – 2012, Dutch and Polish victims were also registered. Flows are from Central and Eastern Europe to Western Europe (to countries such as Austria, Belgium, France, Germany, Greece, Italy, Spain, the Netherlands, and the United Kingdom), although victims may be nationals exploited in their countries of origin as pointed out by some country case studies (Oude Breuil et al., 2018; Sireludi, 2018; Nicolae, 2018; Rusev et al., 2018). A significant number of victims have a non-EU nationality as well,

**TABLE 2. MAIN NATIONALITIES OF TRAFFICKED VICTIMS FOR SEXUAL AND LABOUR EXPLOITATION IN SOME EU COUNTRIES**

Country	Sexual exploitation
The Netherlands	Local (Dutch); East Europeans (Hungary, Bulgaria, Romania); Greek; West Africans
UK	Local (English); East Europeans (Albania, Romania); Vietnamese
France	Local (French); East Europeans (Romania, Bulgaria, Hungary); Chinese; Africans (Nigeria, Cameroon); South Americans (Ecuador, Brazil)
Italy	East Europeans (Albania, Romania, Bulgaria); West Africans (Nigeria, Ghana, Senegal); Asian (Chinese)
Spain	East Europeans (Romania, Bulgaria); Sub-Saharan Africans; Chinese; Latin Americans
Germany	Local (German); East Europeans (Bulgaria, Romania, Hungary); Africans; Asian
Country	Labour exploitation
The Netherlands	East Europeans; Asian; Turkish
UK	Local (British); East Europeans (Albania, Romania); Vietnamese
Italy	East Europeans (Albania, Poland, Ukraine, Bulgaria, Romania, Slovakia); Sub-Saharan Africans; Asian
Germany	East Europeans (Ukraine, Poland, Bulgaria)

*Source:* Authors' elaboration on data of national country case studies.



and they come mainly from Albania, Brazil, China, Nigeria (one of the most persistent trafficking flow), and Vietnam. Member states located at the borders of the EU (such as Italy, Portugal, Spain, and the United Kingdom) are main entry point for this type of victims; whereas within the EU, Austria is increasingly becoming a transit point for victims coming from Central and Eastern Europe.

The Asia-Pacific region (11.7 million) and Africa (3.7 million) account for the highest numbers of victims of forced labour, whereas in the developed economies and the European Union, the total number of victims is 1.5 million, corresponding to 7%.<sup>9</sup> As ILO (2012) has underlined, the major proportion of trafficking for forced labour occurs in the same region. According to Europol (2016), the majority of trafficked victims in 2013 and 2014, are citizens of EU member states, originating in particular from Bulgaria, Poland, and Romania, followed by Slovakia, the Czech Republic, and Estonia. Fewer victims are detected from countries at the border of the EU (Albania, Moldova, Morocco, Russia, Turkey, and Ukraine), and victims coming from Asia, China, India, Sri Lanka, Pakistan, the Philippines, and Vietnam. These trafficking flows within the EU are mainly directed to Austria, France, the United Kingdom, the Netherlands, Switzerland, Italy, Greece, Spain, and Portugal.

## 2.2. PROFILES OF TRAFFICKERS: FROM INDIVIDUAL ENTREPRENEURS TO LOOSE CRIMINAL NETWORKS

According to some of the country case studies (Raets & Janssens, 2018; Lalam, 2018; Meneses-Falcón et al., 2018), the majority of offenders convicted for THB are male, while the offending rate of females is higher when compared to other crimes. This is probably due to decisions by women over time to become procurers as a mean to escape from the exploitative situation, or to the limited employment options available to previously trafficked women. The prevalence of female traffickers and/or exploiters characterises Nigerian and Chinese criminal networks, where the victims especially in the former case, manage “to move up the ranks and assume the position of madam” (Raets & Janssens, 2018). At the EU level, as pointed out by the extant literature and the majority of the country case studies, exploitation of victims is organised and managed by resident Nigerian women, referred to as “madams,” holding in some cases an independent entrepreneurship role (Mancuso, 2013; Siegel & de Blank, 2010; UNODC, 2011). In Spain, for example, out of 616 persons prosecuted and detained for trafficking, 40% were women in 2015 (Meneses-Falcón et al., 2018). Consistently, many of these convicted women are former victims of sexual exploitation that collaborate with the criminal network as a means of earning profits. The variety of actors involved in human trafficking is wide, being a criminal activity that can be also managed by single individuals from recruitment to exploitation. As pointed out in the country studies, “trafficking may not always involve an

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<sup>9</sup> For regional groupings, see the Employment Trends Report (ILO, 2012).

organised crime group. [...]. Although in the UK policy, law enforcement and non-governmental organisation rationale great emphasis is placed on human trafficking that is of transnational nature, it is important for one to remember that human trafficking is not always and necessarily a transnational crime" (Antonopoulos, 2018).

### 2.2.1. Different trafficking models: organisation, structure and roles

The organisation and structure of traffickers involved in trafficking in human beings is diversified depending on the situation, scale of the operations, and country. THB may involve single individuals in charge of recruiting, transporting, and exploiting one or two victims in the same city or region to highly sophisticated organised crime groups moving large numbers of victims in different countries, and arranging from the recruitment to the production of false documents, transportation, and exploitation (UNODC, 2014; Shelley, 2007; Di Nicola, 2014; Aronowitz, 2001). "There is, however, little evidence of highly structured, hierarchical organised crime enterprises involved in human trafficking. Instead trafficking in human beings tends to be the domain of more loosely, organised, entrepreneurial organised crime networks" (Aronowitz, 2009, p. 66). This is also evident in all the country case studies.

TABLE 3. TYPOLOGY OF THE ORGANISATION OF TRAFFICKING IN HUMAN BEINGS

Small local operations	Medium sub-regional operations	Large trans-regional operations
Domestic or short-distance trafficking flows	Trafficking flows within the sub-region or neighbourhood sub-regions	Long distance trafficking flows involving different regions
One or few traffickers	Small group of traffickers	Traffickers involved in organised crime
Small number of victims	More than one victim	Large number of victims
Intimate partner exploitation	Some investments and some profits depending on the number of victims	High investments and high profits
Limited investments and profits	Border crossing with or without travel documents	Border crossing (also in cases where documents are required)
No travel documents needed for border crossing	Some organisation needed depending on the border crossings and number of victims	Sophisticated organisation needed to move large number of victims on long distance
No or very limited organisation required		Endurance of the operation

Source: Authors' elaboration of UNODC (2014).



In trafficking in human beings, loose criminal networks are predominantly active, linked by ethnicity or kinship, with interchangeable roles among members, capable of adapting to mutating circumstances and exploiting new opportunities. These networks are likely to be organised in small groups that can operate independently or collaborate with other criminal groups. Cooperation usually occurs for the provision of specific services such as the recruitment of victims in certain countries or their transportation to the locations where they will be exploited (Europol, 2016; Antonopoulos, 2008; Di Nicola, 2014; Smit & van der Laan, 2014). “The level of the organisation in human trafficking operations varies widely. Human trafficking rings are largely part of a continuum ranging from single perpetrators over loose, self-supporting networks to complex, multinational conglomerates. [...] Human trafficking operations are generally more organised in terms of their activities than they are organised in terms of structure” (Raets & Janssens, 2018). UNODC (2014) has suggested three main typologies of the organisation of trafficking in human beings, identifying related structure and *modi operandi* of criminal groups (Table 3).

#### **2.2.1.1. Individual traffickers/entrepreneurs**

These criminal entrepreneurs are usually low-profile actors managing the entire trafficking operation, from recruitment to exploitation (mainly at the domestic level), and with different degrees of organisation and specialisation. In the UK, for example, a network analysis of the cases of trafficking in human beings known to the Manchester police indicates that most suspects are individuals, also called “lone wolves” involved in just one crime concerning the exploitation of one single victim (Antonopoulos, 2018). In some cases, these actors may provide specific services to victims (e.g. traffickers of women to countries of the EU) or may be independent traders or brokers who sell their expertise and services to more or less organised criminal groups. According to the country case studies, practices vary. There are pimps operating in the Netherlands who manage 1-3 girls at a time, with acquaintances or friends active in the sex market and who are not part of an organised ring or network. Usually, they have a relationship with the exploited girl, who in turn is forced to have sex with their friends and progressively (through a process of psychological dependence and coercion) with other clients outside the networks of friends and “eventually ends up in a window prostitution area upon becoming 18 years old” (Oude Breuil et al., 2018). Similarly, in Germany, perpetrators are single individuals or pairs (pimps) who know each other and may also exchange women and girls. The latter are often treated as property of the pimps and may be even sold to others for a lump sum (Sirseldoudi, 2018). In Bulgaria, couples (married or not) are active in the sex market, where the role of the woman is to solicit customers and provide sexual services, while the man provides protection and facilitation (Rusev et al., 2018). Similarly, in Romania, trafficking is justified “as a family matter between lovers or spouses [...]. Traffickers do not just sentimentally overwhelm a victim, they marry her or have children with her, which is why receiving money from the victim’s prostitution activity (legal in the destination countries) becomes justified as money for family daily expenses” (Nicolae, 2018).

There are also independent traffickers who manage 2-3 girls and keep the earnings for themselves but who in many cases have to pay fixed fees to other criminal organisations as to be allowed to work in particular locations (Rusev et al., 2018). In France, such single actors are mainly active in deprived neighbourhoods located in big urban cities (e.g., Paris, Marseille, Lyon, Lille), a trend which has started to spread to other provincial areas (e.g., Avignon, Cannes, Clermont-Ferrand). They are also involved in common criminality such as theft, extortion, drug dealing, and in regard to sexual exploitation manage the logistics and controls prostitutes. They usually work alone, and in some occasions with two or three accomplices who are from the same deprived locations (Lalam, 2018).

#### **2.2.1.2. Small-to-medium (family-based) organised criminal groups**

These criminal groups deal with small-to-medium scale operations within national borders or crossing borders among different countries along short distances, and may be formed on the basis of ethnic, familial, kinship bonds, as well as opportunistic and functional reasons. They have a certain level of organisation and range from small groups with a basic organisation or loose groups with a limited number of members (specialised, for example, in the transportation of victims across countries using tested routes); to criminal networks of well-organised transnational groups or gangs (medium size), with a large number of members, contacts and connections, and displaying high levels of expertise (Di Nicola, 2014). In some cases, these criminal networks comprise legal entrepreneurs and are involved in different criminal activities. East Europeans are usually family based criminal groups, that can cooperate together in the countries of destination of the victims (e.g., Albanians and Romanians in managing sexual exploitation and forced prostitution in Italy) and with the bosses residing in the countries of origin (Oude Breuil et al., 2018; Antonopoulos, 2018; Lalam, 2018; Terenghi & Di Nicola, 2018; Sirseloudi, 2018; Nicolae, 2018; Rusev et al., 2018).

In the Netherlands, for example, mainly women from Hungary, Bulgaria, and Romania are victimised by criminal groups of their ethnicity involved in cross-border sexual exploitation. These criminal entrepreneurs have a certain level of organisation and some hierarchy, being characterised by a family business model, with exploitation of women and girls in the local sex market. Usually, the head of the family manages the business from the source country, while high level of flexibility allows for quick adaptation – in the event of arrest of members another family member (e.g. son, brother, nephew, son-in-law) takes over. “It is often a family. Father and son, uncle and who-knows-whom. Or they come from the same village, are neighbours and the brother of the one is married to the sister of the other, that kind of cross-connections. Brothers in law, yes, family relations. [Sometimes the victim has been] the girlfriend of one of them and there is also a child” (Oude Breuil et al., 2018). Criminal entrepreneurs with a similar structure and organisation are found in Bulgaria and have Romanian nationality. The members are usually part of extended families, and their trafficking activity involves

women of the same ethnicity, family members or women bought from other criminal groups (Rusev et al., 2018). In Romania, most of the criminal entrepreneurs interviewed reported that the network in which they operated was composed of relatives and friends (Nicolae, 2018).

### **2.2.1.3. Large organised and loose criminal networks**

These criminal entrepreneurs control the entire trafficking operations and provide services needed during the process (e.g. recruitment, provision of counterfeit documents, transportation, corruption of public officials, exploitation). They are organised in flexible, horizontal, and decentralised criminal networks made of a large number of affiliates divided into sub-units and run trafficking operations on a global scale, while their internal structure varies (Antonopoulos, 2018; Raets & Janssens, 2018; Lalam, 2018; Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018; Sirseldoudi, 2018). There can be a certain internal hierarchy with a leader or coordinator and after some trafficking operations the criminal network may turn into a more hierarchical and rigid structure. A criminal activity, for example, may include various sub-activities carried out by a network of independent nodes in different regions, each supervised by a boss, with an overall coordinator supervising the entire operation. In general, their flexible nature allows for joint ventures with other criminal groups based on mutual trust and for quick adaptation to circumstances (e.g. changes in legislations and law enforcement activity) and new markets (i.e. diversification of criminal activities). When managing and facilitating the trafficking operations, these criminal entrepreneurs may turn to criminal specialists providing particular services (e.g., forged documents, counterfeit identities, cyber-money laundering), and increasingly recruited on the internet in the crime-as-a-service arena (Europol, 2016; Aronowitz, 2009; Di Nicola, 2014).

Usually, the members of these criminal networks are linked by ethnic ties and share the same cultural and social background. In most cases, they come from the same villages or towns in the countries of origin, and affiliates (as also to facilitate the trafficking operations) may reside in origin, transit, and destination countries providing specific services, such as transportation or safe accommodations for victims during the journey. "The abuse of traditional cultural practices at one's discretion is central to many international trafficking rings" (Raets & Janssens, 2018). At the European level, and with reference to the country case studies, the main ethnicities are East Europeans (from Romania, Albania, Bulgaria, and Hungary), Nigerians, Chinese, and Indians.

Chinese criminal networks are highly structured and based on several cells in charge of different trafficking stages (e.g. recruitment, arrangement of documents for victims, exploitation). Similarly, Nigerian OCGs are based on cellular structures, each operating independently, and using a large network of personal contacts within EU countries (Oude Breuil et al., 2018; Raets & Janssens, 2018; Lalam, 2018; Terenghi & Di Nicola, 2018; Sirseldoudi, 2018). As reported by the country case study of France, Nigerian OCGs are continuing to develop on the territory of the EU. After having settled first in Spain and Italy, which are the two main

entry points into Western Europe, these networks have started to root in France, then in Germany and Austria, using Greece and Turkey as main routes to enter into the Schengen area. Other European countries such as Denmark, Sweden, and Finland have been targeted by these criminal networks as well. These developments have been facilitated by the growth of Nigerian shops, hotels, and apartments functioning as a cover-up for indoor prostitution managed mainly via the internet (Lalam, 2018). In Germany, for example, Nigerian OCGs operate at a highly organised level. They are characterised by a strict division of labour and specialisation, and they are able to react with flexibility to police counteractions. “The Europe-wide connections, which can be based either on family or business ties within ethnic communities in the countries [of destination] enable quick information flows” (Sirseldoudi, 2018). In Italy, these groups have been defined during some trials, like mafia-type associations since their members have been sentenced under art. 416 bis of the Italian Penal Code. Indeed, their behaviour has been ascertained as that of “Mafiosi” in relation to the type of control exercised within Italian territories mainly through racketeering against other nationals. As for sexual exploitation, the structure and organisation of Nigerian OCGs has been described in one judicial case as follows: “Members active in Nigeria are involved in all the necessary stages to bring potential victims to Europe, such as obtaining visa, hosting girls in accommodations while waiting for documents, managing voodoo rites (named *juju*) on girls to formalise the obligation to settle their debts, arranging travels. While the members active in Italy, cooperate to obtain and assure illegal entries of victims to Italy or Europe, to find ‘mamans’ that manage women and girls and their prostitution activity, to arrange accommodations, to gather profits and to intimidate victims” (Terenghi & Di Nicola, 2018). On the contrary, Bulgarian, Czech, Hungarian, Romanian, and Slovakian organised crime groups used to have a hierarchical structure in common that relies on a strict division of tasks, while operating with small and mobile groups of victims under the control of few members of the organisations (Zhang, 2007). These groups have gradually transformed into loose criminal networks, especially with the entering of some of these countries into the EU. In this regard, the evolution of Bulgarian OCGs especially with reference to two historical periods (before and after the entering of Bulgaria in the EU) exemplifies the characteristics of these type of criminal networks, the level and sophistication of involvement in trafficking in human beings (Rusev et al., 2018). The evolution in their *modi operandi* can be divided into three main stages:

- Mid 1990s, the first period of development in which the trafficking of women and girls for sexual exploitation was mainly of domestic type and represented a huge source of profiting for large criminal syndicates (the so called “violent insurers”) that detained control over the supply side, through the ownership of different prostitution venues (e.g., hotels, nightclubs, bars) in major cities and resorts.
- From 2001 up to 2008, when Bulgaria joined the UE, and especially since 2013 (with the access to the common EU labour market), an expansion of this business has occurred also due to the previous establishment of some of these criminal organisations in other European countries. “Initially it was the big criminal players – local units of

the so-called 'violent insurers' in Bulgarian cities – that made use of this opportunity. Later, some independent procurers and networks stepped in the cross-border trafficking as well" (Rusev et al., 2018). As a consequence, the country became the second biggest source country for trafficking and sexual exploitation.

- Since 2009, with the granting of full access to the EU labour market, the big criminal syndicates have been replaced by loose criminal networks in the trafficking and sexual exploitation, characterised by flexibility and frequent turnover of actors, together with more hierarchical organisations.

In contrast with the Italian context, where native OCGs are not involved in trafficking in human beings since considered to be riskier and less profitable compared to other criminal activities (e.g. drug trafficking), in other countries native criminal entrepreneurs with a high level of organisation are involved in this criminal market, managing all the trafficking process. These groups may exploit both nationals and/or foreign victims. In the Netherlands, for example, "Dutch perpetrators exhibit a larger degree of organisation and (more often) have an international component in the sense that [some of the victims] come from abroad. [...] The trafficker who has a Dutch nationality or a residence permit employs third parties to facilitate part of the work" (Oude Breuil et al., 2018). This means recruiting girls from Eastern Europe, arranging their transportation to the Netherlands, providing support to acquire a tax number, to inscribe at the Chamber of Commerce, or a housing corporation or renting a window, driving the girls to the prostitution areas/windows, and other small services (e.g., acquiring condoms).

Similar to legal enterprises, the organisation of criminal businesses is based on rational evaluations about minimising risks and maximizing profits (Raets & Janssens, 2018). For this reason, and in order to increase efficiency, criminal networks differentiate within their organisation the roles and duties individuals perform to provide specific services. Examples of roles include arrangers/investors, recruiters, scouts/informers, corrupt public officials, document vendors, guides and crew members, debt collectors or money launderers, etc. (Raets & Janssens, 2018; Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018; Zhang, 2007; Antonopoulos, 2008; Di Nicola, 2014; Aronowitz et al., 2010). The tasks performed within the process of human trafficking in general and supposedly within criminal networks involved in this criminal market are exemplified by the UK country case study (Antonopoulos, 2018) (Table 4).

The involvement of these OCGs in other criminal markets is still a matter of debate, as also underlined by some of the country case studies. In Italy, for example, Albanian and Nigerian criminal entrepreneurs are active in the drug trade and distribution at the national level as well, although from other evidence it seems that trafficking in human beings require a certain level of specialisation, is a time consuming activity and as a consequence there is little room for diversion (Raets & Janssens, 2018). As underlined in the UK country study (Antonopoulos, 2018) and in line with other evidence (e.g. other country studies, police investigations, institutional reports), it seems that the involvement



of traffickers in other criminal markets is related to the level of the trafficking operations (small vs. large schemes) and the structure and organisation of criminal groups.

**TABLE 4. ACTORS INVOLVED IN THE PROCESS OF HUMAN TRAFFICKING**

Actors	Roles/tasks
Organisers	Persons in charge of planning the trafficking operations, establishing contacts with individuals, with a recruitment of actors into a collective. In small schemes, organisers manage all the aspects from recruitment and transportation to exploitation.
Recruiters	Persons who live permanently in the countries of origin of potential victims and have good knowledge of the language, peculiarities of each country and/or specific locale, or even know the victims personally. They may also be ex-sex workers or former employees of the exploiter in the case of labour exploitation.
Transporters/escorts	Persons who assist the movement of victims to the EU.
Enforcers	Persons who supervise the victims in the venues of exploitation. In some cases, they may even collect debts.
Corrupt public officials	Persons who provide assistance and support during the trafficking process through the payment of bribes (e.g. employees in embassies and consulates or employees of local authorities).
Legal business owners	Persons who own the places in which the exploitation occurs.
Enablers	Persons with various expertise (e.g. lawyers, accountants) assisting in the stages of the trafficking process as well as advising and defending traffickers, or professionals who are integral part of the management of the business.
Freelancers	Persons linked peripherally to the trafficking scheme and in charge of facilitating the process. They may vary, for example, from business receptionists to teenagers delivering cards for escort services to venues (e.g. pubs), to taxi drivers and general helpers.

*Source:* Authors' elaboration on data of the UK country case study.

### 2.3. THE SOCIAL ORGANISATION OF TRAFFICKING IN HUMAN BEINGS IN THE EU

Trafficking and further sexual and labour exploitation of victims can be of domestic type (within the same countries or regions) or of cross-border type, when it occurs between one or more countries (in Europe or outside it). The latter appears to be more common, especially when structured and organised OCGs are involved. In this case, the extant literature (Shelley, 2011; Di Nicola, 2014; Europol, 2016; Cho, 2012; Jac-

Kucharski, 2012) in line with some country studies (Terenghi & Di Nicola, 2018; Sirseloudi, 2018; Nicolae, 2018) point to the main factors driving the decision of victims to leave their countries of origin which, in turn, facilitate traffickers, especially during the recruitment stage: a) income inequality, limited employment opportunities, gender discrimination against women in employment; b) lack of education; c) family problems such as violence, homelessness, parental illness, death of a parent; d) migration policies of countries of origin and destination; e) socio-economic and/or political unrest such as conflicts or wars, human rights violations; f) information about opportunities via media or informal contacts. The main pull factors include: a) employment opportunities and shortage of manpower; b) democratic systems of government; c) social and political stability and comprehensive social security.

Globalisation is considered to be another explanatory factor of THB, together with corruption (Zhang, 2007; Di Nicola, 2014; Shelley, 2011). Other contributing factors are: improvements in transportation, facilitating the international movement of persons in general and THB in particular; expansion of commerce globally and thus the awareness and perception of disparities in living standards and distribution of wealth, especially for those in developing countries; enhanced communications, such as internet, having major impact on trafficking activities (e.g. recruitment of victims, as well as sale of their services in case of sexual exploitation); the demand for cheap goods, services, labour, and sex. "Although the trade in human beings has existed on a global scale for centuries, globalisation has brought profound economic and demographic changes. With economic globalisation and growing international migration, human trafficking has become an increasingly important component of this larger movement of impoverished people" (Shelley, 2011, p. 135). In the case of labour exploitation, two factors have been particularly relevant: on the one hand, the high increase in world population, especially in poor nations that drives competition for work and low human work prices and, on the other, "rapid social and economic change in developing countries, which disrupts traditional ways of subsistence and social support system" (Zhang, 2012, p. 469). The role of corruption, which appears another facilitating factor for trafficking in human beings, is twofold. On one side, widespread corruption is detrimental to the economic and political well-being of countries (increases in poverty for the majority of individuals), undermines human security, and leave citizens more at risk of trafficking and exploitation. On the other, corruption facilitates the activities of THB. In different countries worldwide, custom or immigration officials, for example, overlook fraudulent documents in exchange of sexual services, or provide traffickers with fake or stolen documents, or are even clients of brothels where victims are exploited for sexual purposes (Antonopoulos, 2018; Terenghi & Di Nicola, 2018; Zhang, 2007; Siegel and de Blank, 2010; Aronowitz, 2009).

Trafficking in human beings is better understood as a process (i.e. consequential stages) instead of a single offence structured into three main stages (Antonopoulos, 2018; Sirseloudi, 2018; Aronowitz, 2009; Aronowitz et al., 2010). The first stage regards the recruitment of individuals, usually using deception, coercion; the second involves the transportation and



entry into another country (in the case of cross-border trafficking). The third stage concerns the exploitation of victims that is when they are forced into sexual exploitation or forced labour. A further stage may occur, which consists in the laundering of criminal profits, and the reinvestment in legal/illegal activities (Table 5).

**TABLE 5. TRAFFICKING IN HUMAN BEINGS AS A PROCESS AND OTHER RELATED CRIMES**

Recruitment/ Entry	Transportation	Exploitation*	Victim disposal	Criminal proceeds
<ul style="list-style-type: none"> <li>- Fraudulent promises</li> <li>- Kidnapping</li> <li>- Illegal adoption for purpose of exploiting</li> <li>- Corruption of government officials</li> </ul>	<ul style="list-style-type: none"> <li>- Assault</li> <li>- Illegal deprivation of liberty</li> <li>- Rape</li> <li>- Forced prostitution</li> <li>- Corruption of government officials</li> <li>- Document forgery</li> <li>- Abuse of immigration laws</li> </ul>	<ul style="list-style-type: none"> <li>- Unlawful coercion</li> <li>- Threat</li> <li>- Extortion</li> <li>- Sex and labour exploitation</li> <li>- Illegal deprivation of liberty</li> <li>- Theft of documents</li> <li>- Sexual assault</li> <li>- Aggravated assault (cruel and degrading treatment)</li> <li>- Forced participation in crimes (forced begging, transportation of drugs, organised theft)</li> <li>- Rape/murder</li> <li>- Removal of organs</li> <li>- Corruption of government officials</li> </ul>	<ul style="list-style-type: none"> <li>- Assault</li> <li>- Abandonment</li> <li>- Murder</li> <li>- Victim sold to another trafficker</li> </ul>	<ul style="list-style-type: none"> <li>- Money laundering</li> <li>- Tax evasion</li> <li>- Corruption of government officials</li> </ul>

\* Includes all forms of exploitation: sexual exploitation, labour exploitation, organ removal, forced begging, and forced participation in other crimes.

Source: Aronowitz et al. (2010).

Aronowitz et al. (2010) have argued that, during the trafficking process, different crimes are committed, that can be instrumental and perpetrated “in direct furtherance of the trafficking activity [...] or secondary as a result of the trafficking activity. Examples [...] are falsification of documents, forced prostitution or other forms of sexual or labour exploitation, violence associated with maintaining the control over victims, and corruption of government officials” (Aronowitz et al. 2010, p. 18). Trafficking for sexual exploitation and forced labour share similar patterns when considering these aforementioned stages. A case in point is a Thai massage parlour in Belgium, where a criminal organisation was able, with the support of

an employee of the Thai embassy in Brussels, to acquire resident permits for all the exploited women and girls. Bribes to staff at the airport allowed for secure transportation of victims with fake documents by plane, while their accommodation “quite often backslides to rack-renting practices” (Raets & Janssens, 2018).

### 2.3.1. Recruitment stage

In most cases, individuals are recruited in their country of origin through the use of persuasion and deception by recruiters. Deception, in particular, is based on false promises of employment, good working conditions and salaries. The ethno-linguistic aspect is crucial for recruiting. Traffickers usually have links with the territories in which they are active and come from the same ethnic community or even hold familial ties with the victims as underlined by the extant literature (Brå, 2008; Hodge & Lietz, 2007; Europol, 2016; Aronowitz et al., 2010; UNODC, 2014) and the country case studies. Some authors (Siegel & Yesilgoz, 2003; Aronowitz, 2003) have pointed out that the recruitment of victims includes both voluntary and involuntary elements. With regard to trafficking for sexual exploitation, for example, the following two situations are possible: victims are completely unaware of the nature of the job they will perform; victims are aware of the nature of the work they are supposed to perform but unaware of the situation and level of control, intimidation, and exploitation. In both cases, victims accept to be recruited willingly and voluntarily, since believe traffickers to be agents, employers or organisers.

Although the methods used for recruitment may differ in respect to the countries of origin and the ethnicity of traffickers, according to the country studies and the extant literature (Hodge & Lietz, 2007; Brå, 2008; Europol, 2016; Antonopoulos, 2008; Di Nicola, 2014; Zhang, 2007; Hughes, 2014; Latonero et al., 2015), there are some that are most recurrent. The use of legitimate employment agencies, job announcements in newspapers, magazines that offer well-paid jobs, especially to women and girls as nannies, au pairs, waitresses, models or dancers that do not require specific skills, qualifications or previous experience. For example, a form of organised labour exploitation exists in companies where temporary employment agencies are often (but not necessarily) used for recruitment and that operate both in the countries of origin of workers and in the countries of destination. This type of labour exploitation usually involves multiple victims, mainly from East European countries, and in the case of the Netherlands also Turkish ones. The method of recruitment can be defined as an “all-inclusive” package through which victims are approached offering transportation to the national locations or countries of destination, employment contracts, and different provisions and support in daily practicalities (Oude Breuil et al., 2018; Antonopoulos, 2018; Terenghi & Di Nicola, 2018). “Most of the Romanian people who come to the North of England for work are promised, apart from work on contractual basis, help with the process of claiming benefits, and health care (such as the services of dentists)” (Antonopoulos, 2018).

The same job advertisements can be found on the internet as well as fictitious online travel agencies, although online methods of recruitment can also occur via social networks (e.g., private messaging services or fora).<sup>10</sup> In this case, it is possible for single recruiters to approach victims not only with false promises of well-paid jobs but also through the lover-boy method, which is exemplified by the Dutch case study. This (online and offline) strategy consists in grooming and socially isolating the victim that falls in love and becomes emotionally bonded to the exploiter. In general, victims fall prey easily due their young age and the lack of essential skills and experience, particular life events, social backgrounds (e.g. impoverished neighbourhoods, childcare institutions, etc.). The pimps specifically target this type of girls making them believe in a requited love. This is the first step to further involve them, in a coercive manner, into forced prostitution (Oude Breuil et al., 2018). Consistently, procurers (pimps) that recruit through this method are found in Spain, mainly of Romanian and Bulgarian nationality. In Belgium, there has been one case in which teenage runaways from juvenile institutions were targeted intentionally, and in UK where one individual, identified by the local police as being at risk of trafficking, tried to join on a voluntary basis a service project for sexually exploited children as to have access to potential victims (Meneses-Falcón et al., 2018; Raets & Janssens, 2018; Antonopoulos, 2018).

Shared ethnicity but also family and acquaintance relations, especially in small towns or rural villages, facilitate the recruitment of potential victims through “word of mouth” (Antonopoulos, 2018; Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018; Sirseloudi, 2018; Nicolae, 2018; Rusev et al., 2018), (Europol, 2016). When trafficking and exploitation is organised by Nigerian OCGs, the role of women who have made their way in Europe is crucial. Usually the recruiter is a well-dressed and wealthy woman, known to the victims and their families, able to promise better life opportunities in a credible manner (Raets & Janssens, 2018; Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018). Similarly, the role of persons of spiritual authority is an effective means of recruitment both in Nigeria and among other ethnic communities. As reported by the UK country study in regard to a locality in the North of England where the majority of exploited victims is of Romanian origin, recruited “in the Pentecostal churches in specific villages or small towns in the country in which there is an over-representation of Roma people; villages such as Calaras, Bacau, Vrancea, Focsani” (Antonopoulos, 2018).

A similar scheme of recruitment can be found within East European communities, where family members or partners push for migration,

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<sup>10</sup> The use of the internet, especially of social networks (Facebook, Instagram, Twitter) in trafficking in persons and smuggling of migrants has been also underlined by a recent EU funded research project Surf&Sound (HOME/2013/ISEC/AG/THB) coordinated by the research group eCrime – Department “Faculty of Law” of the University of Trento in Italy, and carried out in partnership with the Center of the Study of Democracy in Bulgaria and the University of Teesside in the UK. Traffickers advertise to individuals willing to emigrate to Europe complete travel packages including transportation (i.e. type of journey) together with details on possible routes and documents. As for the latter, information on how to apply for asylum permits, how to obtain counterfeit visas or passports are posted online, and on the dark web a manual with instructions on how to start this illegal activity was also found. For further details on the role and impact of new technologies on THB, see Chapter 4 below.

that can be even masked or agreed between family members and the potential victims (Nicolae, 2018; Rusev et al., 2018), or in Chinese clans where the most promising individuals are selected and proposed to migrate. They are then exploited in the destination country, but once free they could become a point of reference for the settlement and economic expansion of this ethnic community in other EU countries, through the same trafficking and exploitation scheme (Lalam, 2018; Terenghi & Di Nicola, 2018; Sirseloudi, 2018). The role of the intra-ethnic factor is relevant, for example, in the Netherlands in regard to the exploitation of au pairs or housekeeping jobs. In cases of one-on-one labour, recruiters and exploiters are either family members or acquaintances (Oude Breuil et al., 2018).

Contacts via individuals already employed in the economic sectors of further exploitation of the victims is a method used as well, and applies in particular to women or girls already working as prostitutes in nightclubs or brothels or ex-prostitutes used to persuade other women and girls to come and work in Europe (Antonopoulos, 2018; Sirseloudi, 2018). In this case, moving victims to different sex markets in the EU may also regard structured and hierarchical OCGs with established presence over the market in the country of origin. In Bulgaria, for example, the newly recruited women and girls work previously in some big cities or resorts and after having proved their loyalty and accountability are brought to more profitable locations abroad. "The sex workers periodically return to work back in Bulgaria upon completion of a certain period or whenever some problems arise (e.g., extortion demands from other criminal groups, conflicts with competitors, police operations, etc.)" (Rusev et al., 2018). As for labour exploitation, recruitment is made by traffickers that already have contacts with employers in the countries of destination. In one Italian case, for example, a Chinese trafficker was in contact with two national representatives of a cooperative of job placement, compliant in delivering fictitious employment contracts and fake paycheques. The opposite may also occur, where there is no contact between the traffickers and the subsequent employers, although within the Chinese community there is a service of recruitment made of dedicated commercial activities (bars, restaurants) or newspapers (Terenghi & Di Nicola, 2018).

### **2.3.2. Travel and transportation stage**

Most trafficking for sexual exploitation and forced labour is regional (i.e. involving short distances) or occurs within the EU or other countries worldwide (Europol, 2016; ILO, 2012; Shelley, 2010). For this reason, in most cases travel arrangements are very simple and cheap and are organised by the traffickers who are usually fellow nationals of the victims. When travels involve longer distances and the movement of victims from third countries to the EU, usually criminal networks are involved (e.g. Nigerians, Chinese) that arrange all the phases of transportation, having intermediaries (traffickers) in key countries of transit. For example, migrants who arrive from West Africa and in particular Nigeria, are accompanied and followed during their journey by the so called "boga man" (Terenghi & Di Nicola, 2018) or "boss" (Meneses-Falcón et al.,

2018). The latter may be a person in search of leaving his country of origin and exchanges this service for free travel to Europe. Depending on the case, travel (and documents, if needed) expenses may be covered by traffickers, victims or their families/relatives or sponsors that are usually linked to OCGs/traffickers and are known by the victims or their families (Oude Breuil et al., 2018; Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018; Bră, 2008; Europol, 2016).

In most cases, victims travel by land (especially if moved within the EU), and less frequently by plane. The decision of traffickers to use one or the other option depends on the distance to be covered from the country of origin of victims and the country of destination in Europe. But it can also depend on other factors such as the economic availability of the victims/their families (if they anticipate the travel expenses), or the type of potential victim. When they are good-looking, traffickers prefer transportation by plane as a mean to preserve their health and appearance (Raets & Janssens, 2018; Terenghi & Di Nicola, 2018). For example, when Nigerian victims are involved, trafficking follows the main smuggling migration routes by land, sea or air. If Spain is their final destination, they can be moved by land passing through Mali, Algeria, and Morocco or through Guinea, then by plane to Ukraine and from there to Austria. Chinese victims usually travel by plane, entering the EU through airports with less traffic. Transportation by land is chosen mainly when entering the more permeable border of Slovakia. Usually, victims “are often accompanied by a Chinese male, who is responsible for the transportation. This man, whom they call ‘snakehead,’ will have a resident permit in the Schengen area, and tends to travel with around five Chinese women” (Meneses-Falcón et al., 2018). In general, the route by plane is more expensive and this turns into a higher debt to be paid back to exploiters (Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018).

When the transportation involves non-EU victims, traffickers may provide false or counterfeit documents as to conceal the real identities and enable entry into the EU, or with fraudulently obtained visas as it occurs for example with Chinese victims who travel on study or touristic visas obtained also due to the connivance of travel agencies or embassies in the countries of origin (Raets & Janssens, 2018; Terenghi & Di Nicola, 2018; Sirseloudi, 2018). “Another way is via licensed tour operators who are granted blanket visas and who seem to charge a fee for those that do not return after the expiration date” (Terenghi & Di Nicola, 2018). Once in Europe, victims are persuaded to apply for asylum or to request a residence permit (in transit countries as well) as to be easily moved to other EU countries of the Schengen area where they will be further exploited. In some cases, following asylum applications, victims are placed in refugee centres where they are recovered by traffickers or their intermediaries (Terenghi & Di Nicola, 2018; Europol, 2016). When migrants are exploited for labour purposes, the use of legal documents is frequent in order to enter transit and destination countries, and usually reside in the EU with legal permits as to obtain employment contracts. Again, the connivance of key players in the countries of destination – lawyers, accountants, embassy and police officers – may play an important role (Terenghi & Di Nicola, 2018).



### 2.3.3. Exploitation stage

Once in the destination country victims are forced into prostitution or other types of forced labour and if they are unaware of their further exploitation, in most cases they recognise their dependent situation during their travel where they also experience some forms of violence (Terenghi & Di Nicola, 2018; Sirseloudi, 2018). An example is that of a Bulgarian woman approached in a supermarket parking lot who “did not hesitate to join foreigners who had promised her a lucrative job in Germany. She did not realise the risk she was taking until they reached the border. When she tried to leave, she was forcefully prevented from doing so” (Sirseloudi, 2018). In particular, the transit through Libya for African migrants (adult and young females and males), often starts with a first phase when exploitation becomes a reality (Terenghi & Di Nicola, 2018). While waiting to reach Europe, they are confined into “connection or ghetto houses” managed by military or local criminal groups, where they suffer extreme violence and deprivation (Ratcliffe, 2017). In these places, women and girls are forced into prostitution, while men and young males are forced into different exploitative jobs. This may also serve to pay for their travel to Europe. Migrants can be even sold to other traffickers or criminal groups, in a cycle that can last months or years (Terenghi & Di Nicola, 2018). In other cases, (aware) victims are initially exploited in the sex market in their country of origin (Rusev et al., 2018), then at a later stage they are trafficked to other EU countries.

In any exploitation, as underlined in the majority of country studies, victims need to accept their slavery condition due to the debt bondage which usually consists in repaying back the money traffickers have advanced for their travel and/or documents (for travel and/or residence in the destination countries). In one case in France, 25,000 Chinese asylum seekers living in the north-eastern part of Paris and sharing cramped apartments were forced to work from 10 to 21 hours per day as garment workers in private houses or restaurants in very hard working conditions. These victims were all indebted, although the extent of the debt varied depending on the region of origin (OSCE, 2005). Nigerian traffickers, for example, require that women sign a contract as to have their trip arranged and paid, which is blessed by a priest in the *juju* ritual. When arrived at destinations, victims are already controlled by traffickers and forced into prostitution as to pay back their debt. Victims’ belief in the power of the *juju* ritual, together with threats to family members in the country of origin secure the loyalty and submission of the victims (Siegel & de Blank, 2010). Compared to labour exploitation, the amount of the debt bondage in sexual exploitation is higher and in many cases set completely arbitrarily by exploiters. Nigerians OCGs charge very high prices – also claiming to be have paid for travel themselves while in fact expenses have been covered by the families of the victims – as a result of which victims take very long time to free themselves.

In the majority of countries studied, at destination the documents of victims are withheld and retained by exploiters, thus making them even more vulnerable. Identity documents especially when labour exploitation is concerned, may be used to “obtain social benefits [...], to open bank

accounts in the victims' name, as well as to take out loans and make purchase agreements. Victims can be registered as directors of bogus companies, which are used by traffickers to launder the proceeds" (Europol, 2016, p. 26). In one Italian case, for example, the Chinese boss involved in labour exploitation opened bank accounts and acquired houses and apartments thanks also to the conspiracy of bank directors and notaries. "Using copies of the documents of exploited migrants he opened bank accounts, made notary deeds, and to put the signature (it was not the documented Chinese but another national), paid €200 for this service" (Terenghi & Di Nicola, 2018). Furthermore, the isolation of victims is enforced by traffickers by not allowing them to leave their accommodations if not accompanied. The main threat used is that of possible police operations as a strategy of exploiters to enforce their isolation and avoid the risk of any contacts that may support victims in exiting the exploitative situation (Terenghi & Di Nicola, 2018; Sirseloudi, 2018). "The traffickers give precise instructions to their female victims concerning the Spanish police, what they should say to them, and they depict the police as just as corrupt as the police from their countries of origin. They usually deceive them, telling that if the Spanish police discovers them, they [will be put] in a CIE (Internment Center for Foreign Nationals)" (Meneses-Falcón et al., 2018). The isolation of victims is also enforced by the fact that many of them do not speak the language of the destination countries (Oude Breuil et al., 2018; Antonopoulos, 2018; Sirseloudi, 2018).

According to the extant literature (Smit, 2011; UNODC, 2016; Di Nicola, 2014; Shelley, 2010) and the country studies, control over victims and coercion of reluctant ones is also exercised through direct and severe violence (e.g. physical, verbal, and psychological) or the threat of violence against family members. Romanian family-based organised criminal groups are extremely violent and impulsive. As reported by some interviewed perpetrators, victims who do not obey are threatened, coerced, and beaten. Psychological pressure is another means of submission as well as making victims dependent on drugs/alcohol (Nicolae, 2018). In relation to sexual exploitation, for example, Becucci (2008) in line with some country studies (Antonopoulos, 2018; Terenghi & Di Nicola, 2018) has underlined that submissive strategies and the use of violence vary depending on the ethnicity of traffickers, i.e. their cultural background. In general, while East Europeans are more prone to use violence against victims, Nigerians turn more to forms of psychological suggestion. Despite this, in Italy and in regard to Albanians, for example, violence against victims has been used less as a strategy to protect the sex exploitative business (i.e. diminishing the risk that victims report to the police or NGOs).

The operations of trafficking in human beings have a high degree of rotation, dislocation of victims, and a high rate of replacement (Antonopoulos, 2018; Raets & Janssens, 2018; Terenghi & Di Nicola, 2018; Sirseloudi, 2018; Rusev et al., 2018). This common method serves the scope to renew the supply and avoid detection of traffickers from law enforcement due to the possible reporting by victims. "More sophisticated transnational organisations are able to set up carousel structures which allow them to transfer victims from country to country" (Raets & Janssens,



2018). It can also happen that victims are managed by different traffickers before they reach their final destination and as a result their debt increases during the trafficking and exploitation process (Hodge & Lietz, 2007; Europol, 2016; Aronowitz, 2009; Becucci, 2008). In particular, when victims are involved in the sex market, they usually work in areas distant from where they reside (Terenghi & Di Nicola, 2018) or are periodically moved to different places of the same country. Such translocation is undertaken also as a consequence of market opportunities, e.g. working in big urban cities during winter and in touristic areas during summer, as is the case in Bulgaria (Rusev et al., 2018). In labour exploitation, although it is not the rule, the movement and rotation of victims seems more linked to the harvesting seasons in agriculture: “Albanian men and women with forged Italian passports travel to the Republic of Ireland, where they are exploited in the construction industry and in agriculture, and then move up to Northern Ireland for the same activities. In fact, they move from one country to the other on the basis of available work and for short time projects. These workers live in rent caravans or even in sheds” (Antonopoulos, 2018).

## 2.4. BUSINESS MODELS OF EXPLOITATION IN THE EU

Once they arrive at their final destinations, victims are accommodated in facilities managed by exploiters, and depending on the type of exploitation these premises can be apartments, small houses or flats, hotels, nightclubs, or other facilities such as industrial sheds or cramped buildings in abandoned lands, especially with reference to forced labour (Antonopoulos, 2018; Raets & Janssens, 2018; Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018; Sirseldoudi, 2018; Rusev et al., 2018). As for sexual exploitation, victims (especially Nigerians) can be exploited into prostitution at the very beginning of their arrival inside or in the surrounding areas of open reception centres or temporary reception centres, places where migrants usually wait for residence permits (Terenghi and Di Nicola, 2018). During exploitation victims may be also forced to perpetrate other criminal activities, such as begging, stealing, transporting/selling drugs or other contraband products, benefit frauds (Aronowitz, 2001), or employed in cannabis plantations as it happens with Vietnamese, as reported by the country case study of Belgium (Raets & Janssens, 2018) and the UK (Antonopoulos, 2018).

Both in sexual and labour exploitation, victims work extremely long hours in poor health or dangerous conditions and for low or no salary (Aronowitz, 2001; Smit, 2011), a recurrent scheme also underlined by all the country studies. In general, their earnings are kept by exploiters but there are variations. Women and girls forced into prostitution can in some cases benefit from a percentage to cover personal expenses. This is a strategy, for example, of Albanians as to enforce the loyalty of victims and to make them more accommodating in their exploitative situation. Nigerian OCGs are gradually implementing such a scheme as well. In labour exploitation, usually victims receive a salary (but also no salary

depending on the discretion of the exploiters) which does not correspond to the amount fixed by law in national contracts and from which different expenses are subtracted, as for example transportation to the place of work, food, electricity used where they reside, etc. (Terenghi & Di Nicola, 2018; Sirseldoudi, 2018; Nicolae, 2018). Romanian OCGs, for example, use commercial facilities to place workers in other European countries and promise attractive salaries, good working conditions, free transportation and accommodation. Once victims arrive at destination, documents are seized under the pretext of preparing labour contracts and after having started to work the victims get no pay. The reasons, as stated by traffickers to the victims, are various expenses incurred (e.g. transport, accommodation, commissions, paper work) for which they demand reimbursement. In order to cover these initial expenses, the salaries of victims are not paid and they remain without money under the excuse by traffickers that they need to cover the costs of labourers' living and staying, which are, however, overestimated. "Thus, the victim enters into a never ending cycle of dependence" (Nicolae, 2018).

At the EU level, the sex market is characterised by outdoor and indoor prostitution, despite the differences in legislation and regulation of this activity (Table 6).

**TABLE 6. SCHEMES OF SEXUAL EXPLOITATION AT THE EU LEVEL**

Outdoor prostitution	Indoor prostitution
Nigerians and East Europeans	Natives, Chinese, East Europeans
Streets, parking lots, peripheral areas of big urban cities	Brothels, apartments, flats, massage parlours, nightclubs, escort club services, (online)
Lower tariffs	Higher tariffs
More working hours/clients	Less working hours/clients

*Source:* Authors' elaboration on data of country studies.

Strict policies push more prostitution into closed places (e.g., apartments, nightclubs), as exemplified by the country study of the Netherlands. After a long tradition of tolerance and progressive legalisation and the passing of the ban on brothels in 2000 which regulates prostitution with licences, the more recent framing in the public debate of a link between prostitution and trafficking in human beings (also as a consequence of two large and international trafficking signal crimes) has led to calls for the adoption of a strict regulation of all prostitution with the risk, as maintained by sex workers organisations, of more covert activity. At present and despite the presence of regulations, the Dutch sex market is based on "few legal (licensed and non-licensed, if a licence is not necessary) and monitored sex industries,<sup>11</sup> and a supposedly numerically

<sup>11</sup> For example, window prostitution, sex clubs, and escort companies.

bigger share of illegal or criminal sex enterprises” (Oude Breuil et al., 2018), in which most of the activity is exercised at homes or in apartments. In Germany, for example, the more recent trend for women and girls employed in private settings and hotels seems related to the increase in the use of the internet to enable contacts between clients and sex workers. In the city of Bremen, the majority of victims of forced prostitution work in private flats where healthcare is not available, and violence as well as regular and collective rape are often means of control (Sirseldoudi, 2018). In some cases, traffickers/exploiters share housing with their victims. This model of accommodation pertains also to other EU contexts (Terenghi & Di Nicola, 2018; Nicolae, 2018). The indoor sex market in Bulgaria, which involves the largest number of exploited women and girls, is divided into three main segments: a) at the bottom of the market is apartment prostitution, where sex services are usually offered in rented flats at the first floors of residential buildings, with prices varying depending on the town; b) VIP or escort clubs/services, with higher prices and less control over sex workers; c) erotic bars and adult clubs, at the top end of the market, where female employees can have additional earnings for soliciting drinks to clients and dancing, and where prices for services are high. “The owners of such venues as a rule pre-select the sex workers before contracting them and tend to regularly replace them with new ones” (Rusev et al., 2018). A common trend at the EU level, as reported by the country studies, is that indoor prostitution characterises the exploitation of Chinese women and girls who work almost exclusively in apartments or massage parlours.

Outdoor prostitution is more widespread in some EU countries, such as France and Italy. In the latter, the type of exploitation in the sex market is linked to the nationality of victims (and exploiters). Nigerian and Romanian victims work on the streets, especially in the peripheral areas of large cities, while East Europeans provide sex services mainly in apartments and houses, although in some cases clients may be approached in open air locations or online.

While working, victims are usually supervised and controlled either directly by employers or members of the organisations, or remotely through the use of ICT technologies such as CCTV or mobiles (Terenghi & Di Nicola, 2018; Sirseldoudi, 2018). In one case in the Czech Republic, victims forced into prostitution were monitored via walkie-talkie and compelled to report to the exploiters about sex clients and earnings (Hughes, 2014). In general, street and covert prostitution differs in terms of tariffs and working hours. The women and girls that work outdoor earn less money and as a consequence are forced by exploiters to have a higher number of clients per day, while for the ones employed in closed places it is the opposite. Similar to the recruitment stage, internet serves the purpose to sell different services provided by victims of sexual exploitation. Websites, newsgroups, and forums are used by traffickers to transmit/supply pornography, child sexual abuse photos, and locations for commercial sex acts. ICT technologies and mobile devices have created a more fluid, quick, and easy access environment, where traffickers and buyers can communicate in real-time, to arrange appointments, to exchange updated materials, and services (Hughes, 2014; Shelley,

2007). Online, it is possible to “upload text advertisements, images, and videos to brothels, entertainment businesses, or prostitution businesses that operate only from the internet, such as escort services and online advertisement sites for prostitution” (Hughes, 2014, p. 5).

There are different ways in which victims leave their trafficking situation: escape or rescued in a police raid, freed by customers (in the case of trafficking for sexual exploitation), discarded by traffickers when they are no longer of any value (e.g. victims may have become too sick to work, or have become pregnant, or a child grows too old to appeal to paedophiles), death or murders (Brå, 2008; Aronowitz, 2009; Batsyukova, 2007).

\* \* \*

At present estimations at the EU level on the number of victims of trafficking are far from precise due to various reasons, most of all as a result of the covert nature of this criminal activity. Thus, it is possible to estimate only the “tip of the iceberg” whereas data, according to the country studies, are collected from different sources, through different methods and rarely organised into national and updated centralised databases. Furthermore, estimations and information on trafficking for labour exploitation is still underdeveloped in different EU contexts, although investigative evidence and non-profit organisations have underlined the numerous economic sectors in which many people work in slavery and dangerous conditions.

A more recent trend at the EU level is the very young age of exploited victims, and the presence of recurrent nationalities such as East Europeans (Romania, Bulgaria, Poland, Hungary, Albania, Ukraine, Slovakia), West Africans (Nigeria, Ghana, Senegal), Chinese, South Americans (Brazil, Ecuador).

Different actors are involved in trafficking in human beings that can be placed on a continuum ranging from single players, through small-to-medium family-based criminal groups to OCGs structured mainly into fluid and horizontal networks. These types of criminal entrepreneurs with their related structure and organisation are found to coexist in all the nine EU countries studied (the Netherlands, the UK, Belgium, France, Italy, Spain, Germany, Romania, and Bulgaria), regardless of the forms of exploitation. Consistently, the trafficking process which relies on three main stages (i.e. recruitment, transportation and exploitation) can be easily managed also by single traffickers, underlying how this criminal market does not require a high level of organisation. Instead, “human trafficking operations are generally more organised in terms of their activities than they are organised in terms of structure” (Raets & Janssens, 2018). Similarities are found in the business models of exploitation, both in the sex and labour markets at the EU level. For example, despite the different legislations and regulations, prostitution is exercised both in open-air places (e.g. streets of big urban cities, parking lots) and covert locations (e.g. apartments, flats, hotels, nightclubs) and is organised in low and high end segments. In some EU countries such as Germany

and France, the role of new technologies as a means to attract clients and sell services may be pushing towards more covert prostitution. The ethnicity of women and girls appears to be a discriminating variable with reference to the places of work (indoor vs. outdoor prostitution).

There is evidence of the difficulty for the victims to leave their exploitative situation, also due to the intentional strategies of exploiters aimed at keeping them frightened and isolated. The lack of alternatives for many victims adds to the risk of a self-perpetuating cycle, as it occurs for example with Nigerians. More often, they become *madams* and start to manage the exploitation of other women and girls. For these reasons, it is crucial to gain deep understanding and insights into trafficking of human beings, its nature and dynamics, criminal actors and *modi operandi*, and to implement data collection at the national and EU levels. In this way, given the transnational and quickly evolving criminal market it is possible to foster cooperation among key stakeholders at the national and EU levels (e.g. LEAs, prosecutors, governmental institutions, local non-profit organisations) to develop efficient preventive and countering actions to undermine traffickers, to dismantle criminal networks, and to implement tailored best practices for assisting and reintegrating victims after exploitation or for preventing them from becoming easy prey for traffickers.



### **3. FINANCIAL ASPECTS OF TRAFFICKING IN HUMAN BEINGS**

Trafficking in human beings both for sexual and labour exploitation to a great extent is a profit-driven activity (Europol, 2015; FATF, 2011; OSCE, 2010; UNODC, 2016) and as such it is best understood when its financial underpinnings are considered. As with many other organised and non-organised crimes, the financial aspects of THB are often disregarded by law enforcement and judicial authorities, since they are usually irrelevant for establishing and proving the predicate offence in court (CSD, 2015). Thus, surprisingly scarce information is available on the financial aspects of trafficking. A handful of academic studies have shed some light on some financial aspects, primarily focusing on the underground commercial sex markets (see Chapter 1 for a detailed review). However, comprehensive analysis of financing models of trafficking across different *modi operandi* and countries is still lacking and this chapter strives to fill in this knowledge gap. The analysis below builds on the “business approach” (see OSCE, 2010) and discusses issues such as the need for initial capital to enter the market, sources of financing, settlement of payments, costs and profits of trafficking operations, investment schemes, and money laundering.

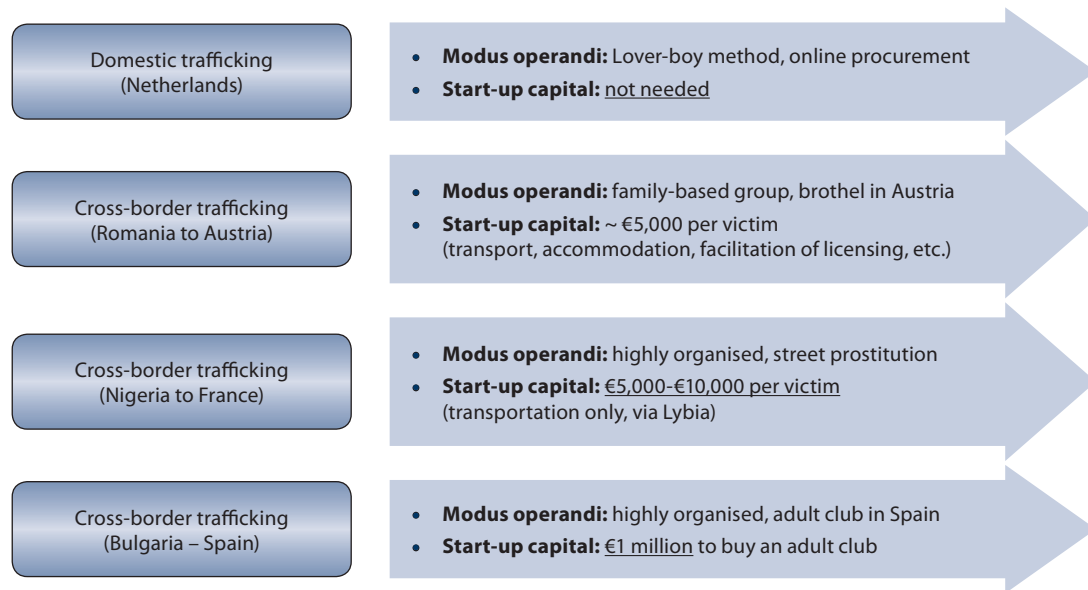
#### **3.1. SOURCES OF CAPITAL FOR INITIATING CRIMINAL OPERATIONS**

Entering a criminal market or expanding a criminal operation usually requires some initial investment such as advance payments for certain goods or services or covering certain recurring costs before the operation actually begins to generate revenues (CSD, 2015). However, in the case of THB a widely shared notion among law enforcement and judicial practitioners is that this particular criminal activity does not require such investments or they are more or less negligible (Rusev et al., 2018; Raets & Janssens, 2018; Sirseloudi, 2018; Nicolae, 2018; Antonopoulos, 2018). A closer look into the career trajectories and *modus operandi* of traffickers reveals a lot more nuanced and complex reality. Thus, entering and operating in the illegal commercial sex market can have different forms and respectively entail different costs – from simple procuring of a victim to a close circle of acquaintances (or via online advertisements) to securing a profitable location on the street or in some brothel abroad. While domestic trafficking involving the infamous lover-boy scheme may not bear any financial costs, cross-border trafficking appears to require certain initial investment (see Figure 6).

Apparently, various factors come into play with regard to the need of start-up capital for traffickers in human beings – the distance between



**FIGURE 6. LEVEL OF INITIAL CAPITAL NEEDED IN CASES OF THB FOR SEXUAL EXPLOITATION DEPENDING ON THE MODUS OPERANDI OF TRAFFICKERS**



*Source:* Author's elaboration of data.

country of origin and country of destination, visa and border control regimes and at the destination country, modus operandi of traffickers (e.g. exploitation in outdoor or indoor prostitution setting), presence of other organised crime actors that exercise control of the prostitution/labour market (or part of it) in the destination country (Lalam, 2018; Rusev et al., 2018; Terenghi & Di Nicola, 2018). For traffickers who bring victims from third countries outside EU the initial investment is bigger, since they incur larger costs related to transportation and arrangement of visa and residence documents (Lalam, 2018; Oude Breuil et al., 2018; Meneses-Falcón et al., 2018). Certainly larger investments are also needed if a trafficker aims at becoming an owner or manager of a brothel or other sex venue. An investment in such venue reportedly can reach from several thousand euro, when renting, up to €1,000,000 for purchase (Meneses-Falcón et al., 2018; Sireludi, 2018; Rusev et al., 2018). Thus, the size of the initial capital needed for entering the prostitution market, especially when this involves cross-border trafficking, is somewhat comparable to the capital needed for entering other criminal markets – for comparison, the indicative investment for entering the retail cocaine market in the EU is about €5,000-€9,000 and for wholesale level €30,000-€50,000 (see CSD, 2015, p. 41).

The data collected within the current study suggest that traffickers adopt different strategies to cope with the need for initial capital to kick-start their operations. Those operating independently tend to deliberately seek ways to minimise their initial investments (Raets & Janssens, 2018). One way to achieve is to keep it small – exploiting only 1 or 2 victims at a time (Rusev et al., 2018; Antonopoulos, 2018), as well as to put the

victim straight to work in order to use her earnings as initial capital for expansion (Oude Breuil et al., 2018; Rusev et al. 2018). This kind of strategy is common in lover-boy cases of domestic trafficking.

In cases where there is an actual investment of money in the trafficking business, reported **sources of start-up capital** include the use of personal savings, borrowing money from friends, family and relatives (Rusev et al., 2018; Nicolae, 2018; Raets & Janssens, 2018; Meneses-Falcón et al., 2018). In some cases, traffickers also turn to other people in the trafficking business or occasionally to loan sharks and obtain credit lines from them (Rusev et al., 2018; Lalam, 2018). However, borrowing money within their wider network appears to provide much more favourable conditions for loans, since the interest rates seem to be lower when compared to borrowing money from a usurer (Rusev et al., 2018). Other sources of start-up capital include revenues from legal business and proceeds from other diverse illegal activities – drug trade, counterfeited goods, various scams or social benefit fraud (Antonopoulos, 2018; Oude Breuil et al., 2018; Rusev et al., 2018; Nicolae, 2018; Terenghi & Di Nicola, 2018).

Another common strategy to minimise investments and secure start-up capital is through deception, manipulation or extortion of the victim or her family members to cover part or all of the initial costs for transportation, arrangement of documents, etc. (Terenghi & Di Nicola, 2018; Oude Breuil et al., 2018; Antonopoulos, 2018). In cases related to **labour exploitation**, it is quite typical all document and transportation costs to be borne by the victims. The money is usually demanded by the traffickers in advance as brokerage fee for arranging formalities and lodging, as well as securing the job placement. Thus, especially when it comes to irregular migrants that are third country nationals it often remains unclear whether the case should be classified as human smuggling or human trafficking, as well as at which point the latter had started (Terenghi & Di Nicola, 2018; Antonopoulos, 2018).

The **social capital** (i.e. connections and relationships) and symbolic capital (i.e. trust and reputation) of traffickers appears to play a major role in lowering market entry barriers as well as in reduction of the size of initial investments. Being connected to people in the business, which entails trust and mutual assistance for starting up appears to be a crucial element in decreasing initial expenditures, diminishing market risks and gaining certain competitive advantages such as access to profitable locations and protection from rivalry competition (Rusev et al.; 2018; Nicolae, 2018; Antonopoulos, 2018). Social capital and specifically extended family structures also seem to facilitate recruitment of victims (Oude Breuil et al., 2018; Terenghi & Di Nicola, 2018).

Criminal entrepreneurs joining established trafficking networks or organisations do not need to cover all start-up costs by themselves, since the network or the group grants access to various assets. Being part of an established trafficking/procuring operation provides a number of advantages for pimps. Networks and groups have more available capital which can be channelled to serve different purposes as needed, such as established recruitment base, transport and lodging abroad,

connections and protection abroad, as well as access to a line of credit in case of urgencies. Certainly, joining an established network requires the newcomers to prove that they are trustworthy and accountable. Reportedly, being part of the wider network of traffickers also exposes the members to opportunities for lines of quick credit with preferential interest rates when borrowing from “colleagues.” The interest rates for such intra-industry/network lending are 10-20%. Rates may still be higher in cases of a novice who is yet to prove trustworthy. The loan is then repaid from the sex worker’s earnings (Rusev et al., 2018).

Traffickers are also not immune to various critical moments – both business-related and law-enforcement related. Perhaps most critical are police arrests and investigations. Raising money in such moments to cover litigation or other expenses can be covered by traffickers’ own funds or eventually legal business portfolios (Antonopoulos, 2018). An often favoured option is through forcing the victim to provide the money by working longer hours, taking more clients or engaging in sex services, which she usually avoids (Raets & Janssens, 2018; Oude Breuil et al., 2018). Traffickers also sometimes settle such situations through borrowing from other members of their network (Rusev et al., 2018).

### 3.2. SETTLEMENT OF PAYMENTS

The analysis of the data collected in all nine countries covered in the current study unequivocally indicates that human trafficking both for sexual and labour exploitation is almost exclusively **cash-based activity** (see Lalam, 2018; Raets & Janssens, 2018; Rusev et al., 2018; Antonopoulos, 2018). It should be noted that trafficking usually takes place in a multi-actor environment where different roles have a different relationship to the overall money flows. Form of exploitation, modus operandi, level of sophistication of the trafficking network, and the socio-cultural background of traffickers also shape direction and nature of money flows. The methods of settlements may further be categorised by distinguishing the major types of relational money flows and transactions among actors involved in a trafficking operation. As a matter of course, the organiser of the human trafficking operation sees to the redistribution of the takings among the actors involved.

The most common transaction is **between client and victim**. In cases related to sexual exploitation these are almost exclusively arranged in cash. Payments from clients usually are arranged as **cash up-front** (Raets & Janssens, 2018; Rusev et al., 2018). Besides cash transactions, only a few venues where sexual services are traded accept credit card payments (Raets & Janssens, 2018; Rusev et al., 2018). Occasionally, jewels, handbags, and clothes are given as a kind of tip along with the regular payment. This is especially the case if there is more personal relationship between the victim and a regular client (Rusev et al., 2018; Antonopoulos, 2018). Often the client pays to an intermediary who is present at the spot, such as a big sister companion or the local

manager of the venue (Raets & Janssens, 2018; Oude Breuil et al., 2018). Alternatively, the customer pays directly to the sex worker, who either immediately hands over the payment to the intermediary or, brings the earnings to the exploiters on a regular basis (Rusev et al., 2018, Nicolae, 2018; Raets & Janssens, 2018; Oude Breuil et al., 2018).

Exceptions do exist as sometimes clients can pay for sexual services via bank transfer/credit card, whereby such payments are registered as a legitimate service, e.g. massage (Raets & Janssens, 2018; Rusev et al., 2018). This is particularly the case whereby trusted clients based in Western European states order sex services from sex workers who may be currently based in another EU member state in Eastern Europe. The wired money is used for travel and advance payment for the sexual services (Rusev et al., 2018).

The high-end prostitution segment displays some subtle differences in the patterns of payment settlements as the country study in Bulgaria exemplifies. In many cases the pre-supposed exclusivity of sexual services performed by “models” and the parallel operation of the fashion agency as a cover business seem to keep a certain distance between the consumer and the sex worker, particularly in the financial flows (Rusev et al., 2018). The contacts between the customers and the clients are usually handled by a central figure inside the agency – the so called “booker.” The booker also often receives the payment directly or through trusted members of the network from the client. Therefore, in such cases the women would perform a pre-arranged and pre-paid service without coming into contact with money (Rusev et al., 2018).

Similarly, in labour trafficking cash transactions are preferred, although methods of payment may vary depending on the sector where the victims are exploited. Whereas in the agricultural sector and the car-wash business cash payments are predominant, in other business sectors (e.g. food-processing, construction) bank transfers are the norm. Therefore, it is not uncommon for employers to wire transfer the money to the bank accounts of the exploited workers. However, even in such cases usually bank accounts of workers are controlled by traffickers or intermediaries and money are immediately withdrawn by them in cash from the bank and workers receive a fraction of their earnings (Raets & Janssens, 2018; Antonopoulos, 2018). In some extreme cases of labour exploitation all workers’ earnings are entirely withheld under the pretext of covering various fees, onsite trainings, cloths, accommodation or food (Oude Breuil et al., 2018; Antonopoulos, 2018).

The second type of financial transactions are the ones **between the victim and the trafficker**. As it has been already mentioned in many cases related to sex trafficking, victims are charged with collecting the money from their clients. In such arrangements victims are expected to deliver their earnings (or part of them) to the traffickers on a regular basis. Such arrangements are common in lover-boy schemes, as well as when there is a pre-existing agreement between the traffickers and the victim about splitting the revenues according to a percentage determined in advance (Rusev et al., 2018; Lalam, 2018).

In cases of domestic trafficking, the daily earnings of the victims are usually collected by the procurer or a trusted associate in cash from hand to hand (Rusev et al., 2018; Lalam, 2018). In other arrangements, such as with Chinese OCGs operating via the internet in Western Europe, the funds are gathered by collectors on a weekly basis. The earnings of the victims are strictly monitored, since all the in-coming calls by customers go through switchboards and the victim is expected to transfer a pre-agreed percentage of everything earned (Lalam, 2018). In cases of cross-border trafficking where the trafficker remains in the country of origin the sex workers are expected to transfer the money abroad on a regular basis. Sometimes these transfers are done by the victims, but there are also arrangements where they just hand the money to a trusted associate and he arranges these international settlements (Lalam, 2018; Rusev et al., 2018; Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018).

However, in order to ensure payments by the victims control is of critical importance to traffickers. Various methods are employed to achieve this. Certainly, lover-boys rely much on emotional control over their victims, but even they resort to other methods as well (Nicolae, 2018). Often victims are demanded to report and to account for their earnings to traffickers or their trusted associates on a daily basis, often via coded messages through messaging services or SMS Funds. Other technological developments can also be part of the daily monitoring such as video surveillance or monitoring of social media accounts (Raets & Janssens, 2018). Threats of violence, blackmail, *juju* rituals (typical for Nigerian networks) and various forms of debt bondage are also part of the traffickers' arsenal (Raets & Janssens, 2018; Lalam, 2018; Antonopoulos, 2018; Terenghi & Di Nicola, 2018).

Financial transactions from the traffickers to the victims also take place. Often victims are forced into a position of financial dependence (Nicolae, 2018; Antonopoulos, 2018). In some of these cases, a small financial flow exists from traffickers to victims, whereby small sustenance sums may be provided in cash by the trafficker. Thus, in cases of sexual exploitation the perpetrator takes all the money from the victim on daily basis, but provides weekly allowances for cigarettes and food, instead. Occasionally, the perpetrator may give the victim €150-€200 to send to her family in the country of origin, which creates an economic dependence (Nicolae, 2018). In other arrangements, wherein there is no financial or debt dependence, sex workers may receive their shares periodically in cash by their traffickers/procurers or trusted persons – e.g. every three days, weekly, etc. (Raets & Janssens, 2018; Lalam, 2018; Antonopoulos, 2018; Rusev et al., 2018; Oude Breuil et al., 2018).

The data from the Bulgarian case study also shows that in the indoor and high-end prostitution segment, it is a common practice for victims to have fictitious contracts as office assistants, masseuses, waitresses, hostesses, barmaids, exotic dancers, receptionists, chambermaids, etc. The contracts are usually signed with bogus companies and fixed at minimum wage and for minimum working hours. However, they will still receive payments under these contracts and all respective social and healthcare contributions will also be covered. Some of the victims



reported that they receive these payments via bank transfers. In this way the traffickers try to conceal the true nature of their activities and not raise suspicion in the law enforcement and other regulatory agencies (Rusev et al., 2018).

Trafficking operations that require a more sophisticated organisation also involve **financial transactions between the organiser and other members of the scheme** or other traffickers. Such payments are made exclusively in cash and usually the organiser oversees the collection of the money from the victims and its subsequent re-distribution among the rest of the members involved in the operation, unless the business relationship takes place under the front of a legal business or service. In the latter case, payments are also made electronically. Cash proceeds are often transferred along the chain through trusted payment facilitators, which appear to be insiders rather than the typical money mule (Rusev et al., 2018; Antonopoulos, 2018). In some cases, traffickers also have exchanges with other traffickers, typically when selling or re-selling victims. In these cases, transactions are also done in cash, except in some cases related to sexual exploitation when victims are simply exchanged without payment, provided that traffickers consider them having the same “sexual capital” (Antonopoulos, 2018).

The trafficking network cannot function effectively without external actors who provide supporting and ancillary services such as facilitation of certain administrative services, document forging and falsification, apartments/houses/windows, night/adult clubs, etc. Thus, traffickers also have various **financial transactions with external actors and corrupted officials. Such payments to external actors and corrupted officials often have to be done in advance**, hence the need for start-up capital for newcomers to the business (Rusev et al., 2018). All of these are paid almost exclusively in cash. When operating abroad, some traffickers are wary of getting directly involved in all payment settlement activities, as being seen around sex workers and in particular known clubs and hotels may arouse suspicion. Therefore, in some cases settlements with clubs, hotels, apartments, etc., are delegated to the women who may transact directly with the owners of the establishments where sex services are performed (Rusev et al., 2018). Settlements in the domestic market seem to be conducted in cash directly between the trafficker, or trusted person, and the owner of the club/hotel where sexual services are provided (Rusev et al., 2018). Similarly with corrupted officials, irrespectively of the service offered to the trafficker or simply turning a blind eye to the trafficking-related activities, the preferred form of payment is again cash, although occasionally, sex is provided as payment (Rusev et al., 2018; Antonopoulos, 2018, Nicolae, 2018). In some instances, trusted third parties are used to deliver the payment (Rusev et al., 2018).

In international trafficking schemes, particularly routes out of Africa, which may involve human smuggling as well, the most common method to settle payments are pre-agreed instalments (Lalam, 2018; Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018). This sometimes entails that an initial sum of money is provided to cover initial travel and documents expenses, and another sum of money once the victims reaches the

destination country and starts working in order to repay the incurred debt. These methods are used when paying individuals involved at the various stages and with different roles within the trafficking chain, such as the so called “trolley man” or “boga”<sup>12</sup> or the so called “ticket man”<sup>13</sup> (Terenghi & Di Nicola, 2018). Financial transactions related to these services typically involve transfers of money abroad.

The analysis of available data shows that cross-border trafficking at some point or another involves **international settlements of payments**. This is the case with victims transferring money abroad to their traffickers residing in countries of origin (a common arrangement for traffickers from South-East Europe) and with traffickers paying smugglers who arrange transportation of victims from Sub-Saharan Africa or Asia, as well as the repatriation of profits to the country of origin. Apparently, the preferred method of international settlements of payment is **cash smuggling** (Raets & Janssens, 2018; Meneses-Falcón et al., 2018; Nicolae, 2018; Rusev et al., 2018). Apart from cash smuggling, other popular methods used by trafficking networks for settling international payments include hawala, money transfer services such as MoneyGram and Western Union, and bank transfers (Terenghi & Di Nicola, 2018). The methods for settling international payments are discussed in more detail in section 3.5. “Investment schemes and money laundering,” below.

### 3.3. COSTS FOR DOING BUSINESS

From a business perspective, human trafficking can make for a relatively inexpensive undertaking, considering that the recruitment of victims costs close to nothing (Raets & Janssens, 2018). However, trafficking operations involve a variety of costs at each stage of the process – not only **recruitment**, but also **transportation** and **exploitation** (see Figure 7), wherein the last two stages appear to be most cost demanding. Some of these costs are one-off and might be categorised as investment costs, whereas others are recurring and rather fall under the operational costs category. It should be noted that this classification is somewhat arbitrary, since the line between the two is often blurred. The cost structure of trafficking operations varies depending on the modus operandi of the traffickers, logistical complexities, the “relative legality” of the business, as well as the number and types of actors involved.

#### Recruitment costs

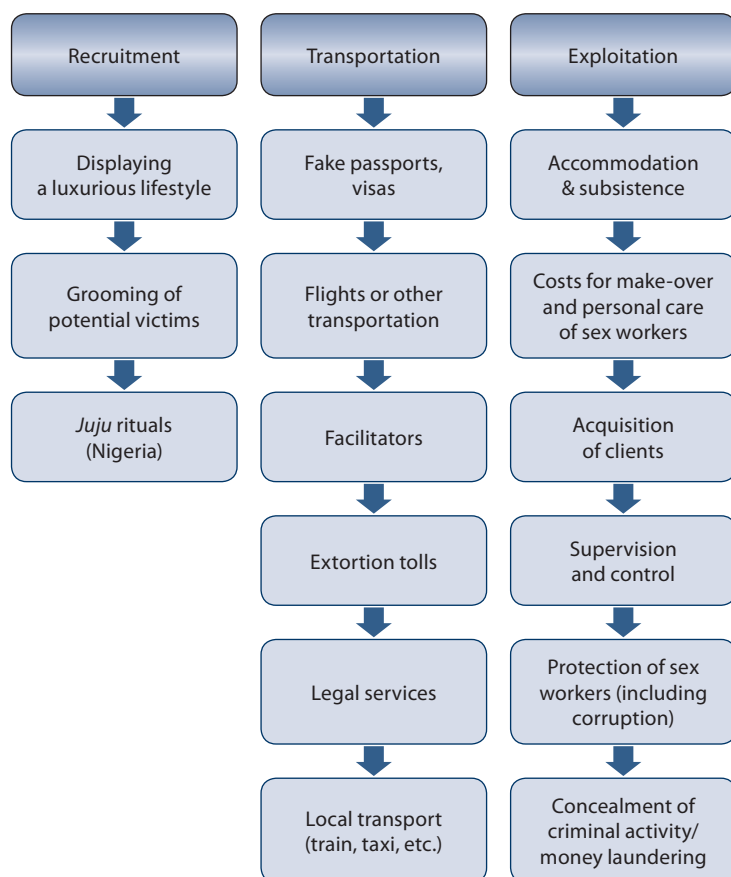
Before anything else, exploitation requires resources. However, recruitment costs of traffickers appear to be negligible or none, if we do not count the time invested in identifying and attracting or grooming potential victims (Antonopoulos, 2018; Raets & Janssens, 2018; Oude Breuil et al., 2018). In order to attract victims interested in the job, traffickers may resort to

<sup>12</sup> This is the person accompanying the victims during their trip from Nigeria to Libya.

<sup>13</sup> This is the person in charge of recovering victims in Italy.



FIGURE 7. TYPES OF COSTS RELATED TO TRAFFICKING IN HUMAN BEINGS FOR SEXUAL EXPLOITATION



Source: Authors' elaboration on data.

**publishing advertisements** on websites and social networks. Such advertisements are usually free or of little charge and traffickers would re-post them on a daily basis in order to reach a larger pool of potential victims (Antonopoulos, 2018; Oude Breuil et al., 2018). In cases related to labour trafficking, in many cases recruiters also rely on word of mouth. Similar methods are sometimes also applied in cases related to sex trafficking.

However, in cases related to sexual exploitation one of the most commonly applied methods is the infamous lover-boy scheme, which involves emotional manipulation and deceit. This method includes courting, befriending and manipulating the potential victim by the recruiter into a relationship of trust. In some instances, the process of **grooming** may last up to nine or more months, thereby the lover-boy may incur sustained additional expenses (Rusev et al., 2018). Recruiters usually

identify and pick good looking girls from poor backgrounds who can easily be impressed with a luxury lifestyle. The related costs in this approach may include expenditures for restaurants, vacations, clothes and other gifts. An often underestimated aspect of this method, which has been pointed out by some of the interviewed offenders, is that in order to display success and luxurious lifestyle, traffickers also have to spend money on their own image. This may include possession of an expensive brand automobile, branded clothing and accessories, an expensive smart phone and well maintained physique (Oude Breuil et al., 2018; Rusev et al., 2018).

Organised crime groups involved in trafficking operations sometimes tend to assign recruiting to specific members or subcontract it outside the organisation. The Bulgarian case study reports that in such cases **recruiters receive a pre-agreed fee** for each secured victim, which varies between €100 and €250 plus a bonus of up to €500 if she performs well (Rusev et al., 2018). Similarly, **victims may be "purchased"** from other OCG, networks or in some cases, the victim's family (Rusev et al., 2018; Nicolae, 2018; Raets & Janssens, 2018; Antonopoulos, 2018).

Costs vary with regard to the region of origin of the victim, but are estimated at as little as €100 to €8,000 for an East European sex worker (Rusev et al., 2018; Nicolae, 2018), from €350 to €8,000 for an African sex worker, €500 to €3,500 for a South American sex worker, and at around €4,500 for sex workers from East Asia (Lalam, 2018; Terenghi & Di Nicola, 2018; Antonopoulos, 2018).

A typical cost item of the recruitment process for Nigerian networks is the **juju ritual**. These rituals are closely related to the indigenous religious traditions in South Western parts of Nigeria and co-exist alongside Christian and Islamic beliefs. The rituals include the taking of blood, pubic hair, etc., and swearing oaths to gods, who supposedly have power over the victims' life and death. The victims also made to sign contracts, which are then "blessed" by the *juju* "priest." These rituals provide traffickers with immense control over the victims, since they are convinced that breaking their contract or not repaying their debt may result in infertility or even death (Lalam, 2018; Antonopoulos, 2018). Reportedly the fee paid to a priest in Nigeria to perform such a ritual varies between €150 and €500 (Terenghi & Di Nicola, 2018).

Another expense that can arguably be classified as part of the recruitment stage in sex trafficking cases are the costs related to **make-over and personal care** of the newly recruited victims. Collected data suggests that these sums range from around €500 to €1,500, which is used for brand clothing, accessories, cosmetics and perfumery, among others. The sum varies, since it depends on the modus operandi of the traffickers (Rusev et al., 2018; Nicolae, 2018; Raets & Janssens, 2018). The outdoor segment is less demanding with regards to such expenses, whereas for the indoor and the high-end prostitution segments these expenses are integral. There are instances, wherein more expensive manipulations such as plastic surgery might be invested in for high-end sex workers (Rusev et al., 2018; Nicolae, 2018; Antonopoulos, 2018).

### Transportation costs

After the recruitment stage, traffickers need to transfer the victim to the country of destination or place of exploitation in domestic trafficking operations. The cost of transportation is naturally commensurate with the distance that is covered by the operation and with the applicable visa, labour, and residence restrictions, as well as the risk associated with the travel (Lalam, 2018; Raets & Janssens, 2018). Practically there is no difference in the size of transportation costs for sexual and labour exploitation. However, apparently in cases related to labour exploitation it is a relatively common practice these costs to be covered in advance by the victim, especially when the victims come from EU member states such as Poland, Bulgaria or Romania (Terenghi & Di Nicola, 2018).

As far as trafficking **within Europe** is concerned, transportation costs generally consist of plane, train, or bus fees or, as an alternative, the price of a second-hand car or mini-van and fuel. The approximate costs for this are reported to range from €40 to €250 per trip depending on the distance (Raets & Janssens, 2018; Rusev et al., 2018; Meneses-Falcón et al.,

2018; Nicolae, 2018). A big advantage for the traffickers from South-East and East European countries is the visa-free movement in the Schengen area. Practically all the major source countries such as Bulgaria, Romania, Western Balkan countries (except for Kosovo), Moldova and recently Ukraine enjoy a visa-free regime.<sup>14</sup> Bulgarian and Romanian citizens also have rightful access to the labour markets of all EU countries.<sup>15</sup>

Networks in **Sub-Saharan Africa** have two main routes into Western Europe. The first option, which regards travelling by plane is the safest but also the more expensive – between €8,000 and €15,000. The reason for this is that travelling by air not only involves purchasing a ticket, but also payment either for forged documents or to corrupt consular officials to obtain a visa (Antonopoulos, 2018; Lalam, 2018; Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018). Forged documents reportedly can cost between €1,000 and €3,000 (Antonopoulos, 2018; Meneses-Falcón et al., 2018). A second option is the overland route via Morocco or Libya and leaving the northern African coast on boat either to Spain or Italy. This route is cheapest, reportedly between €3,000 and €5,000, although much riskier. This amount covers the travel and the fee of the persons in charge of transportation called “passeurs” (Terenghi & Di Nicola, 2018). There is a large number of criminal or insurgent groups operating in the region (especially on the route through Libya) who exact various tolls or could kidnap the victim and request a ransom for her release. It is also not uncommon to pay various amounts in bribes at the border checkpoints during their land journey in Africa (Meneses-Falcón et al., 2018; Lalam, 2018; Terenghi & Di Nicola, 2018).

The **Latin American** trafficking organisations usually originate from the Dominican Republic, Paraguay, Brazil, Peru, Ecuador, Colombia or Venezuela, which are the countries with the greatest migrant flows towards Europe but also the biggest source countries for trafficking in human beings. The main destination country for victims from these countries is Spain, perhaps due to the similarity in language and culture. Reportedly, some victims of trafficking from these countries also end up in France (Meneses-Falcón et al., 2018; Lalam, 2018). Most of these countries as of 2018 have visa-free regime with the European Union except for Ecuador and the Dominican Republic,<sup>16</sup> although, even if no visa is required, citizens from these states are supposed to provide at least an official invitation and a proof of minimum disposable money upon entering EU. Thus, the overall cost to transport a victim from Latin America – for the ticket, the documents and the minimal sum of money required at the border – is from €3,000 to €3,500 (Meneses-Falcón et al., 2018).

Victims traveling from **Far East Asia** are almost always accompanied by a male who is responsible for overseeing the transportation of the victims, after which he returns to his country of origin. The reported

<sup>14</sup> See Council Regulation (EC) No 539/2001 of 15 March 2001 listing the third countries whose nationals must be in possession of visas when crossing the external borders and those whose nationals are exempt from that requirement.

<sup>15</sup> See Treaty concerning the accession of the Republic of Bulgaria and Romania to the European Union.

<sup>16</sup> Council Regulation (EC) No 539/2001 of 15 March 2001,

costs for transportation and obtaining necessary documents of a victim from China to Spain are about €2,000, half of which covers the fee for the accompanying person (Meneses-Falcón et al., 2018). Other accounts indicate much bigger costs associated with transportation – €10,000-€15,000, including costs for securing tourist visa or fictitious enrolment in a university and a student’s visa, tickets and the fee for the accompanying person (Lalam, 2018).

**TABLE 7. COST OF TRANSPORTATION DEPENDING ON THE COUNTRY OF ORIGIN OF VICTIMS**

Country of origin of victims	East European countries	Nigeria	China	Latin American countries
Transportation costs	€40-250	€5,000-15,000	€2,000-3,000/ €10,000-15,000	€3,000-4,000

*Source:* Authors' elaboration based on data from country reports.

### Costs related to exploitation

Traffickers also incur various and sometimes substantial costs during the exploitation stage. In the case of **trafficking for sexual exploitation** these costs include expenditures for client acquisition, lodging, monitoring and control of sex workers, protection, concealment of criminal activities, corruption, and facilitation of money laundering.

Securing access to clients is one of the most important things for trafficking operations. **Client acquisition costs** can vary a lot depending on the modus operandi of traffickers. These might include costs for acquiring access to a profitable location on the street, a window in a red light district or a place in a well-established adult club, brothel, or massage parlour. **Online advertising costs** and **payments to taxi drivers and hotel concierges** for referring clients can also be generally placed in this category (Raets & Janssens, 2018; Nicolae, 2018; Oude Breuil et al., 2018; Rusev et al., 2018).

Certainly the cheapest option is to rely on **online advertising** for solicitation of clients. Various websites, social platforms and online mobile applications are used to advertise sex services. Online advertising may cost from nothing to a few euro per ad, which is a negligent amount compared to the fees for placement at brothels or similar sex venues (Nicolae, 2018; Rusev et al., 2018). Other advertisement-related expenses may be incurred when a professional photographer is contracted to take high-quality photos of the victims, which subsequently will be placed on various sex sites. Such sessions could cost between €30 and €100, depending on the length of the shoot session (Antonopoulos, 2018; Nicolae, 2018). Precisely because of the low cost associated with this method for soliciting of clients it is preferred by independent traffickers and sex workers (Rusev et al., 2018). However, they are some more

sophisticated arrangements involving internet advertising adopted by organised crime groups. Thus, in the case of Chinese organised crime groups in France all internet advertisements of sex workers are managed in a centralised way and all incoming calls are handled by French-speaking switchboard (telephone) operators, which charge €20 for each appointment with a client (Lalam, 2018).

Internet advertising usually is coupled with **renting apartments** or houses where victims could provide their services, the costs for which vary depending on the location. Apartments could be used solely for providing sex services or sometimes also for accommodation. In Bulgaria and Romania, accommodation for 2-4 persons costs around €400 per month (Nicolae, 2018; Rusev et al., 2018). Renting an apartment in West European cities or a small house in their vicinities varies between €700 and €1,200 per month (Oude Breuil et al., 2018; Raets & Janssens, 2018). In metropolitan and larger cities, the rents of apartments are twice higher; for example, it was reported that as of 2018 UK rents in cities such as Manchester or London amount to as much as €2,500 per month (Antonopoulos, 2018). However, if the landowner knows that his property is rented for prostitution purposes, the rent can get ten times higher. Thus, for Germany it was reported that a landowner was receiving €50 per day from each sex worker (Sirseldoudi, 2018).

Many traffickers prefer **renting a window in a red-light district or placing the victim in a massage parlour or brothel**. Unlike internet advertisements, such established venues can provide for a steady clientele and more predictable and high revenue (Rusev et al., 2018). The fees for windows in red light districts in Belgium or Netherlands vary between €100 and €300 per shift (Raets & Janssens, 2018; Rusev et al., 2018), depending on the city and location. Facilitating access to profitable windows, brothels, massage parlours, and similar establishments in the red light districts of West European cities, where prostitution is legal, also often requires payment of certain fees in advance. Reportedly, such a one-off facilitation fee varies between €500 and €3,000 paid to an established broker who has been active in the business for a significant amount of time and possesses the necessary social and business connections (Oude Breuil et al., 2018; Rusev et al., 2018). It is also reported that in order to secure a place in a well-located adult club in the big Bulgarian summer and winter resorts traffickers have to pay upfront €7,500 per sex worker for the whole season (3 months) to the owners of the sex venue (Rusev et al., 2018).

Similarly, access to profitable **locations in hotels, motels, and clubs** both in Bulgaria and Romania, but also in Western Europe, is also usually granted upon certain fee paid in advance (Rusev et al., 2018). Traffickers and pimps need to pay the managers or owners of hotels, motels, and various hospitality businesses in order to use their facilities for sexual services undisturbed. In some arrangements the fee is flat and irrespective of the victim's earnings, whereas in other cases, the hotel owner or manager receives a fixed fee for each client brought in the hotel. Payments to such external actors vary depending on their position and role. In the case of the United Kingdom, managers of such venues,



receptionists, and security guards are paid a flat fee, reportedly between £50 and £100 per shift (Antonopoulos, 2018). The country study of Bulgaria reports that hotel managers in the big winter or summer resorts may require payment in advance from the traffickers, so that victims work in a “protected” environment with access to clients. The reported sums vary between €2,000 and €3,750, depending on the location and reputation of the establishment. Smaller Bulgarian hotels or motels which provide venue for the sex workers and their clients by the hour might charge as little as €10 per service (Rusev et al., 2018).

**Monitoring, supervision and control of sex workers** are the other type of costs associated with the exploitation stage, although they are not always easily quantifiable. These costs are primarily related to a strict accounting of the clients served and the due collection of the pre-agreed portion of earnings from the sex workers. Depending on the complexity of the trafficking operation, these tasks may be performed by the traffickers themselves or by other trusted persons. In family-based organisations usually one of the family members takes care of these tasks. In other words, they do not directly incur financial costs for this, although they invest personal time. Hierarchically structured organisations usually have trusted persons that are managing the day-to-day schedule of the women, as well as the daily collection of the earnings. Use of such supervisors and money collectors also serves the purpose to conceal the direct link between the sex workers and the organisers of the trafficking operation. The data from Italy indicates that within the context of Nigerian networks, such persons receive €25 to €50 per day (Terenghi & Di Nicola, 2018). Similarly, in Germany the fee for persons in charge of money collection is €50 per day (Sirseldoudi, M. 2018).

In the high-end prostitution segment, these tasks were carried out by the bookers, who are handling the contacts between the women and the customers. The amount of these costs remains somewhat unclear, although some respondents report that the supervisors are paid a pre-agreed proportion from the earnings of the sex workers they look after (Rusev et al., 2018).

Closely related to monitoring and control are the costs for **protection of sex workers**. Independent traffickers and family-based groups personally take care of the safety of the women and their earnings from abusive clients and rival competition. However, especially in the outdoor segment they are often subjected to protection racket by larger organised crime groups specialised in the use of violence. In Bulgaria, such groups reportedly “toll” sex workers about €65 per month for working on the street (Rusev et al., 2018). Similar protection tolls have been reported in Italy – €50-150 per day for each sex worker, usually exacted by Albanian OCGs (Terenghi & Di Nicola, 2018). The cost of the protection racket in Spain is reported to amount to €100 per month for a sex worker to be allowed to work on the street (Meneses-Falcón et al., 2018).

When traffickers pay for placement of their sex workers at brothels or other sex venues, the protection is included in the price or at least part of the pre-agreed arrangements. Hierarchically structured groups usually

have members assigned with such tasks and, as mentioned above, they are often also responsible for monitoring and control of women, money collection, and transportation. A case reported in the Romanian country report indicates a monthly payroll of such a members amounting to €700 per month (Nicolae, 2018).

**Expenses on corruption** can also be generally classified into the category of protection costs. Typical targets of corruption by trafficking actors are law enforcement officers and, to a lesser extent, magistrates, especially in South-East Europe. The data from Bulgaria and Romania indicates regular extortion fees imposed by police officers to outdoor and indoor sex workers and their procurers, wherein such protection fees in Romania reportedly amount from €500 to €1,000 per month (Nicolae, 2018; Rusev et al., 2018). In order to avoid cash payments, traffickers can offer officials bribes in the form of sexual services rather than money (Meneses-Falcón et al., 2018; Antonopoulos, G., 2018).

Hierarchically structured groups sustaining more sophisticated trafficking operations incur additional costs related to the **concealment of their activities** from the authorities. In the high-end prostitution segment such costs may include investing in elaborate schemes of legitimate business structures – appointment of straw persons as owners and managers, registering front businesses such as modelling or fashion agencies, and organising model castings, fashion shows, advertising campaigns, among others. Criminal groups, which invest in and control adult clubs, massage parlours, and similar establishments also employ similar methods and register bogus companies with straw persons appearing as owners and managers. Women working in such adult clubs, hotels and other establishments have labour contracts as dancers, masseuses, office assistants or housekeepers. Using such legitimate companies as a front also entails a number of other costs typical for all legitimate businesses – office rent, accounting and legal services, utilities, staff salaries, etc. (Rusev et al., 2018).

The comparison of the data on typical costs associated with the various sex trafficking operations reveals important **differences in the cost structure** depending on the country of origin of the perpetrators. Clearly, traffickers from the two biggest source countries in EU – Bulgaria and Romania, enjoy significant competitive advantage over their counterparts operating from Asia, Africa, and Latin America with regard to transportation costs. The lower costs of transportation are also coupled with the lower risks of apprehension during this stage of the trafficking operation, since both Bulgarian and Romanian citizens enjoy the rights of free movement and labour within the European Union. Furthermore, non-European perpetrators apparently prefer low-cost methods for acquisition of clients – solicitation of clients on the street or online (see Lalam, 2018; Meneses-Falcón et al., 2018; Terenghi & Di Nicola, 2018). On the contrary, apparently Bulgarian and Romanian traffickers are more often willing to incur additional costs in order to get access to more profitable locations and sex venues – red light district windows in Belgium or Netherlands, brothels or massage parlours in Germany and Austria, thus securing higher and more steady revenues from their victims (Rusev et al., 2018).



**TABLE 8. EXAMPLES OF COSTS ASSOCIATED WITH STARTING AND RUNNING A TRAFFICKING OPERATION FOR BULGARIAN TRAFFICKERS**

Cost type	Value	Notes
Make-over costs I	from €1,500	hairdresser; brand clothing; accessories; cosmetics, etc.
Make-over costs II	€3,600 – 4,500	breast enlargement
Logistics I	from ~ €100	airfare to a major West European city by a low-cost airline
Logistics II	from ~ €250	fuel + one motel stop for circa 2,000 km
Logistics III	from ~ €120	single bus fare from Sofia to major West European city
Rent	from €550/month	multi-bedroom apartment in the red-light district of a major West European city
Interest rates I	10% to 20% per week	when borrowed from the wider trafficking network
Interest rates II	50% to 250% per week	when borrowed from a loan shark
Money transfer fees	€10-€100	per transaction, depending on the amount sent
Advance payment for placement of one sex worker in adult club	€1,125 month	Bulgaria, Black Sea resort, south
Use of a hotel room with a client per hour	€3-5 session	hotel, low segment, inner city
Advance payment for placement of one sex worker in adult club (top location)	€7,500 season	Bulgaria, Black Sea resort, south
Advanced payment for placement of one sex worker in a hotel with access to clients	€2,500 to €3,125 month	Bulgaria, Black Sea resort hotel
Broker's fee for placement of one sex worker at a red light district window	€2,000-€3,000 per sex worker	red-light district window of a major Western European city, one-time fee
Hotel room rental (permission to do business)	€1,000 per week per sex worker	In a major West European city, may vary depending on the hotel
Protection fee (racket)	€2,500 per week per person	Fee paid to the hotel in a major Western European city for access and undisturbed operation
Red-light district window rental	from €500 per week	red-light district (major Belgian and/or Dutch city)

Source: Rusev et al., 2018.

These differences in the cost structure of sex trafficking operations provide important additional insights about why Bulgaria and Romania still remain the top countries of origin for victims of trafficking in Western Europe, despite having many times smaller populations compared to countries such as Nigeria or China. The negligible costs for transportation of victims from South East Europe coupled with the right to free movement and labour also have important implications for the preferred method of control over victims. Apparently Bulgarian and Romanian traffickers have more or less moved away from the methods relying on debt bondage in sex trafficking, whereas these methods are still predominant among the trafficking networks from Africa, Asia, and Latin America (see Lalam, 2018; Meneses-Falcón et al., 2018; Terenghi & Di Nicola, 2018). Instead, they rather rely either on building emotional dependence in the victim (lover-boy method) or establishing business-like relations and acquiring some consent of the victim, wherein the revenues from the prostitution would be split between the trafficker and the sex worker according to a pre-agreed ratio (Oude Breuil et al., 2018; Rusev et al., 2018, Nicolae, 2018; Antonopoulos, 2018).

**Trafficking for labour exploitation** appears to be a lower cost exercise than trafficking for sexual exploitation. Various costs come into play depending on whether the farm/company owner that benefits from the exploitation is involved in the overall trafficking operation or relies on external actors to recruit and deliver the labourers needed. The regular cost related to the exploitation phase will generally include housing, subsistence, work materials, and tools (Raets & Janssens, 2018; Meneses-Falcón et al., 2018). In most cases all these costs are used as a pretext to force victims to pay much more than the actual value of these facilities. Thus exploiters/traffickers manage to additionally reduce the pre-agreed wages and perpetuate the debt bondage of victims (Oude Breuil et al., 2018; Raets & Janssens, 2018; Meneses-Falcón et al., 2018). Moreover, except housing, the infrastructure and equipment in labour trafficking cases are usually pre-existent, so no investment is required (Raets & Janssens, 2018). In many cases traffickers are of the same nationality as the victims and are contracted by the farm or company owners also to exert control and monitoring over victims (Meneses-Falcón et al., 2018; Terenghi & Di Nicola, 2018). Other costs related to this form of trafficking may include fines imposed by labour inspectorates for not providing sufficient health or safety labour conditions or other labour law infractions (Oude Breuil et al., 2018).

### 3.4. PROFITS AND PROFIT SHARING

Trafficking in human beings generates a steady flow of profits for traffickers thanks to the constant demand both in the sex services and low-skilled labour sectors such as agriculture, construction, hospitality, and similar industries. As the nine EU country studies showed, the sex services segment is easier to estimate, as quantitative data is readily available (e.g. prices for services, estimated number of sex workers and of clients in a given market), while transactions involving labour exploitation are less transparent and profits are less clearly defined.

Pricing and revenues of traffickers vary substantially depending on a number of factors. Thus, in cases related to **sexual exploitation** important factors are the country where services are provided, the market segment served, the number of customers per day, and the average length of sessions. **Price differences by country** are correlated to the respective national income level. Thus, for example in low-income countries like Bulgaria or Romania, a session in the outdoor market segment (i.e. the lowest segment) can cost as low as €7-10 (Nicolae, 2018; Rusev et al., 2018). In high-income countries, the same services would cost at least €20-30, with an average of €50 and up (Lalam, 2018; Oude Breuil et al., 2018; Raets & Janssens, 2018). The variances by **segment** in the sex services market start from an average of €20 to €30 in the outdoor segment, and go up to between €50 and €150 in the lower indoor segment to €200 to €300 in the higher indoor segment and several hundreds to €1,000-€2,000 in the luxury/private escort services segment (Rusev et al., 2018; Lalam, 2018). **Length of sex sessions** (half an hour, an hour, overnight, weekend) is also a factor in pricing. Longer sessions are usually provided at a discount but are also more common in the high-end market segments (Rusev et al., 2018).

The **ethnic background and physical appearance of victims** also factor in the price of the sex services. Thus, in Italy Nigerian sex workers work mostly on the street and charge from €10-€30 and in France €20-40, whereas the ones from South-East Europe charge between €30 and €50 in both countries (Terenghi & Di Nicola, 2018; Lalam, 2018). The **number of customers** served by one sex worker varies from two to six per day in the indoor segment, and can reach up to 20 in the outdoor segment. This number also depends on the pressure exercised by traffickers. In extreme circumstances (e.g. Nigerian women exploited under a debt repayment scheme), sex workers have been forced to work for 10-12 hours per day (Terenghi & Di Nicola, 2018). Use of the internet for solicitation of clients also appears to result in lower number of clients (Rusev et al., 2018).

The expert estimates of **average revenue** generated by a sex worker vary from several thousand euro per week (e.g. €2,000 to €8,000 in Belgium) to tens of thousands of euro in the high-end segments (Raets & Janssens, 2018). Monthly estimates reported by interviewed traffickers range from €15,000 to €45,000 per sex worker (Rusev et al., 2018). In addition to the recurring revenue from sex services, in certain cases traffickers get **one-time payments for “renting” or “selling” the victims** they control to other trafficking networks (Antonopoulos, 2018; Nicolae, 2018; Raets & Janssens, 2018). However, these practices are believed to be rare and the revenue they generate is insignificant compared to the daily flow from recurring services.

The detailed information on pricing, number of clients served per day, as well as the costs incurred by traffickers, allow also for relatively accurate reconstruction of their actual profits. Thus, if we take for example the case of Nigerian “mamas” and assume she has brought a woman via an overland route, her costs on an annual basis will amount to around €37,000 and she could expect a victim – when exploited as sex worker

on the street in Italy – to earn close to € 94,000 per year. In this case the net profit will amount at around €57,000.

**TABLE 9. COSTS AND PROFITS FROM A NIGERIAN VICTIM EXPLOITED AS A SEX WORKER IN ITALY**

Type of costs	Costs/Profit
Travel from Nigeria to Italy (via Libya) – cost of transportation, tolls, passeur, <i>juju</i> ritual, ticket man, etc.)	€5,000
Travel in Italy (train)	€300
Supervisor of girls to/at “joints” <sup>17</sup>	€40 x 26 days → €1,040 (per month) → €12,480 for 1 year
Renting of joints/extortion fees	€100 (per month) → €1,200 for 1 year
Housing (sharing apartment)	€300 per month → €3,600 for 1 year
Subsistence costs (meals, clothes, condoms, etc.)	€1,200 per month → €14,400 for 1 year
<b>Overall costs 12 months:</b>	<b>€36,980</b>
Total earnings	12 months x 26 days x 15 clients x €20 EUR → <b>€93,600</b>
<b>Net profit (1 year):</b>	<b>€56,620</b>

*Source:* Authors' elaboration based on data from Terenghi & Di Nicola (2018) and other country reports.

Similarly, we can estimate the profits of East European traffickers. Thus, traffickers from Bulgaria often exploit women in the windows of red light districts in various cities in the Netherlands. The victims usually spend 3 to 4 months in the Netherlands, then come back to Bulgaria for a month and return for another round of 3-4 months. In order to secure a place in a profitable location, traffickers often pay to well-established intermediaries a fee of between €2,000-€3,000. Lodging is usually shared with other victims and rent of the window is somewhere between €200-€250 per shift. The overall costs in such an arrangement reach close to €84 000 on an annual basis. The sex worker usually manages to generate a revenue of €187 000, making the net profit in this case around €103,000.

**Revenues from trafficking for labour exploitation** usually come from two sources: a) initial fees paid by victims to the recruiters in their country of origin (which may include the cost of travel and travel documents, in particular for third country nationals); and b) a share of the weekly or monthly remuneration of the victims which is paid by the employers to the traffickers or gangmasters (Terenghi & Di Nicola, 2018). The debt repayment scheme is widely applied in trafficking for

<sup>17</sup> Street spots for prostitution.

**TABLE 10. COSTS AND PROFITS FROM A BULGARIAN VICTIM EXPLOITED AS SEX WORKER IN THE NETHERLANDS**

Type of costs	Costs/Profit
Clothing, lingerie, accessories, cosmetics	3 trips x €500 → €1,500
Flight ticket (3 trips to the Netherlands)	3 trips x €100 → €300
Housing (sharing apartment) – 10 months in a year	€300 month x 10 months → €3,000
Broker fee for securing a window in a red light district	€2,000
Rent for window for 10 months	€250 day x 26 days x 10 months → €65,000
Subsistence costs (meals, telephone, etc.)	€1,200 per month x 10 months → €12,000
<b>Overall costs 1 year (stays for 10 months):</b>	<b>€83,800</b>
Total earnings	10 months x 26 days x 12 clients x €60 → <b>€187,200</b>
<b>Net profit (1 year)</b>	<b>€103,400</b>

Source: Rusev et al., 2018.

labour exploitation, in particular with Chinese or other victims of third countries who need permits to work and live in the EU. As a rule, victims' remuneration is below the minimum hourly rate, and working hours are longer than allowed by national regulations – e.g. 12-14 hours per day in the agricultural sector in Italy. The net daily payment received by victims of trafficking has been reported to be as low as €10 for a 12-hour day, as employers deduct from the negotiated payment the arbitrarily assigned cost of transportation, food and water provided to the victims (Terenghi & Di Nicola).

Thus, in terms of profit margins, labour exploitation can achieve similar levels as sex exploitation, although the amounts in euro per victim of labour exploitation are usually much smaller due to the lower hourly rates in the sectors where most victims are employed (agriculture, construction, tourism, food processing). With trafficking for labour exploitation two aspects of the profit need to be considered: the profit from fees collected by the traffickers who connect employers and victims, and the profit of employers who benefit from the lower labour costs (Terenghi & Di Nicola, 2018). In some cases, one and the same victim can be exploited as a worker in a legal business establishment used as a cover (massage parlour, model agency or hotel) and become a victim of sexual exploitation.

Several factors determine the margin and volume of profits of traffickers. The most important of them seems to be the **legal status and vulnerability of victims**. Victims from third countries who need visas and permits to enter and reside in the EU are the ones who are most severely exploited, generating extremely high profit margins for the traffickers. On

the other hand, victims who are citizens of EU member states and can freely move and work within the EU usually work at more favourable terms and keep a larger share of their earnings. Depending on the legal status of the victims, profit margins can range from close to 100% in the case of sex workers smuggled into the EU from third countries such as Nigeria, to less than 50% in the case of sex workers from East European member states. In the case of labour exploitation, victims with mental health problems are paid insignificant wages or not paid at all (Antonopoulos, 2018).

Another factor widening profit margins is the **type of organisation** and the **modus operandi** of traffickers. Lover-boy traffickers and family/clan based groups tend to withhold all the revenue and to cover all the costs of sex workers (Rusev et al., 2018). Loose trafficking networks and hierarchical groups from South-East Europe prefer to operate with pre-set shares, with traffickers retaining from 50% to 80% of the earnings (Nicolae, 2018; Rusev et al., 2018). A third modus operandi, applied by traffickers who own brothels or other sex venues is charging a fixed amount in advance. For instance, hotels and erotic clubs in popular resorts in Bulgaria are reported to charge €7,500 per sex worker for the use of their premises (Rusev et al., 2018). Profit sharing schemes reportedly also vary by **nationality of perpetrators and victims** (Table 11). Thus, the typical share of earnings withheld from a victim by East European traffickers is 50-80%, for Chinese traffickers – 60-70%, for Latin American – 40%, for Nigerian – 100% (Lalam, 2018).

**TABLE 11. PRICING, PROFITS, AND PROFIT SHARING IN CASES OF TRAFFICKING FOR SEXUAL EXPLOITATION IN FRANCE**

Country of origin	Price range (per service)	Trafficker/sex worker shares	Earnings
Nigerian traffickers	€10-30	close to 100% for trafficker	€3,000 per month
East European traffickers (Roma)	€30-50	close to 100% for trafficker	€100-300 per day
East European traffickers (non-Roma)	€50-80	80/20 to 50/50	€300-900 per month
South American traffickers	€100-€150	40/60	€3,000-€5,000 per month/"sex tour"
Chinese traffickers	€100-€150	70/30 to 60/40	€4,000-€7,000 per month/"sex tour"

Source: Lalam, 2018.

Traffickers, especially those bringing victims from third countries, widely apply debt bondage as an instrument of control over victims, but also as a way to withhold and retain all their earnings. The repayment of



debt scheme is widely used in relation both to victims of sexual and labour exploitation (Meneses-Falcón et al., 2018; Terenghi & Di Nicola, 2018; Lalam, 2018; Antonopoulos, 2018). The debt is usually vaguely defined and supposedly consists of the costs for transferring the victims to the EU, and for providing lodging, food, clothes, and protection. Until the debt is fully repaid (which can take many years), the traffickers collect all or almost all of the victims' earnings. In the debt bondage model traffickers usually also charge exorbitant prices for the real or alleged services they provide to their victims (e.g. lodging, food, clothes, transportation), thus increasing the debt and maximising their overall profits. The total amount of the debt can vary from €15,000 to €20,000 in Chinese trafficking networks, to €30,000-€60,000 in Nigerian networks (Raets & Janssens, 2018; Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018). In one court case in Italy, the victim's debt amounted to €90,000 (Terenghi & Di Nicola, 2018).

### 3.5. INVESTMENT SCHEMES AND MONEY LAUNDERING

Investment and laundering of proceeds earned through human trafficking take different forms depending on the profits generated and the scale of operation. In general, the fewer victims are controlled by a trafficker, the less is earned and therefore a larger proportion of the money is immediately spent, reducing the potential for investment. The market segment (outdoor or indoor) where the trafficker operates also plays a part in determining the level of proceeds generated by the operation. In addition, the nationality of the traffickers determines to a large extent where money is invested and how it reaches the destination where the intended investment takes place. Most foreign traffickers operating in Western and Southern Europe, be they independent or part of a criminal organisation transfer differing degrees of their earnings back to their countries of origin. Despite the variety of investment and money laundry schemes, they remain relatively simple. Generally, unless all proceeds are reinvested in the trafficking business or immediately spent on lavish lifestyle expenses, traffickers opt for real estate or acquisition of cash intensive businesses (Raets & Janssens, 2018; Rusev et al., 2018).

Traffickers in lover-boy and small-scale trafficking arrangements (one person controlling one to three women) will typically use the **bulk of their proceeds to sustain a lavish lifestyle** through buying designer clothing, jewellery, vacations, but also for partying, gambling or acquiring drugs (Terenghi & Di Nicola, 2018; Oude Breuil et al., 2018; Rusev et al., 2018; Raets & Janssens, 2018; Meneses-Falcón et al., 2018; Lalam, 2018; Nicolae, 2018; Antonopoulos, 2018). Beyond serving to satisfy the personal consumption pattern of traffickers, the exorbitant spending also has the function of presenting an image of success and of impressing other potential victims (Rusev et al., 2018; Oude Breuil et al., 2018). Nevertheless, small-scale foreign traffickers operating in Western and Southern Europe often manage to move part of their earnings to their country of origin through different schemes of repatriation. Subsequently they might acquire, finish

or renovate **property**, buy **vehicles** or use the funds to support family in their country of origin. Victims who manage to arrange a more beneficial arrangement and get to keep a larger portion of earnings for themselves might also be able to invest in houses for themselves or their families or to start a small business in their country of origin (Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018; Rusev et al., 2018).

Networks and larger criminal groups with more sophisticated organisation that usually control larger number of victims can generate substantial revenues. Although part of it can also be spent on a lavish lifestyle, they can still afford to allocate substantial funds for investments in the licit economy. A common strategy is to **invest in cash-intensive business ventures in their country of origin** – restaurants, bars and night clubs, convenience or clothing stores, car washes, beauty salons, massage parlours (Oude Breuil et al., 2018; Rusev et al., 2018; Antonopoulos, 2018; Lalam, 2018; Nicolae, 2018; Terenghi & Di Nicola, 2018). In many cases such investments can both serve to conceal and enable the human trafficking operations, while at the same time facilitate the laundry of proceeds. Businesses in the hospitality sector are sometimes used as front for the human trafficking and prostitution, but more often (along with beauty salons) prove useful in identifying and recruiting other potential victims (Rusev et al., 2018). The business portfolios of large-scale traffickers are even more diversified, including also businesses in construction, agriculture, jewellery trade, and gyms (Rusev et al., 2018; Nicolae, 2018).

The collected data in the studied nine EU countries does not indicate common use of trafficking proceeds for **investments in other criminal activities**. As already mentioned, the traffickers usually use their proceeds to sustain the trafficking operations by addressing running costs such as transport, advertising, communication, subsistence and lodging (Terenghi & Di Nicola, 2018; Sirseloudi, 2018; Raets & Janssens, 2018). However, there were some examples where perpetrators engaged in usury, lending money for interest to close acquaintances or other people from the procuring business (Nicolae, 2018). For Italy were also reported some cases of Albanian and Nigerian traffickers investing in drug trafficking (Terenghi & Di Nicola, 2018).

Traffickers sometimes also make **investments in the countries of exploitation**. Thus, Chinese trafficking networks prefer to launder their revenues in the destination countries through already established licit enterprises, mostly Chinese restaurants and similar business, or acquiring real estate property. This not only helps them to root in local territories, but also to keep running both their legal and illegal enterprises (Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018). East European networks also invest both in their origin and destination countries. A recent tendency among Bulgarian trafficking networks is to invest their proceeds in real estate and businesses abroad, both as a cover (to establish a legitimate reason for residing abroad) and investment for trafficking sustainability and expansion. These may include bars, clubs, and cafes, used often for criminal social networking and/or as a place for selling sexual services (Rusev et al.,

2018). Similar investments have been reported with regard both to Polish and Romanian traffickers (Terenghi & Di Nicola, 2018; Nicolae, 2018). Nigerian traffickers, apparently, invest to a very limited extent in destination countries where they operate and in such cases often opt for stores selling ethnic goods (Terenghi & Di Nicola, 2018).

While significant commonalities exist with regard to the **methods used to repatriate** money to traffickers' countries of origin, there are also specificities related to where the trafficking networks originate from. **Cash smuggling** is preferred and widely utilised by all traffickers, independent of their sophistication and origin. The smuggling might either be done through participants in the network or intermediaries, providing this service to trafficking networks. Cash couriers are often used, with East European networks generally transferring cash through couriers travelling on land routes (Raets & Janssens, 2018; Rusev et al., 2018; Nicolae, 2018). Similarly, Chinese and Nigerian networks use cash couriers to smuggle cash through airports. Reportedly the price paid for such service is 6% of the smuggled amount (Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018). Alternatively, victims or sometimes even traffickers might carry cash with them on planes and busses (Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018; Oude Breuil et al., 2018). Nigerian networks would sometimes ship cash in containers (Meneses-Falcón et al., 2018).

**Bank transfers** are generally less often employed due to their traceability. When the banking system is used, the amounts wired are broken down into smaller sums and often are transferred by and to persons other than the traffickers, such as family members, victims, intermediaries or dummy accounts (Meneses-Falcón et al., 2018; Raets & Janssens, 2018). East European trafficking networks are more often involved in the laundry of money through the use of schemes with straw men and a string of shell companies, involving family members, intermediaries or associates to transfer and launder money (Meneses-Falcón et al., 2018; Rusev et al., 2018). Similar methods are employed when **remittances are done through money transfer companies** such as Western Union or MoneyGram in order to minimise risks to traffickers (Raets & Janssens, 2018; Oude Breuil et al., 2018; Rusev et al., 2018; Antonopoulos, 2018). However, the most recent developments show that East European traffickers have started to increasingly avoid use of money transfer services due to the ease of traceability and rely mostly on cash smuggling instead (Rusev et al., 2018; Nicolae, 2018; Raets & Janssens, 2018; Oude Breuil et al., 2018).

Middle Eastern, Nigerian, and to a lesser extent Chinese networks also utilise the informal money transfer systems such as hawala, where money does not cross borders physically and the transactions are based on established relations of trustworthiness of the participants in the hawala network (El Qorchi et al., 2003; Oude Breuil et al., 2018; Lalam, 2018; Meneses-Falcón et al., 2018; Raets & Janssens, 2018). The informal transfer system utilised by the Nigerian networks is known as "euro-to-euro" and involves the parallel money transfer through grocery stores and other retailers. The fee for transferring money through this informal system is reported as 1-2% of the amount (Federaal Migratiecentrum, 2014; Terenghi & Di Nicola, 2018).

Another method for repatriation and laundering of proceeds utilised by Bulgarian, Nigerian, and Chinese networks is the use of simple **trade-based money laundering** including purchase and re-sell of easily tradable goods. Bulgarian networks generally prefer cars and gold for this purpose. Alternatively, stolen goods like electronics are bought cheaply and subsequently resold in Bulgaria (Rusev et al., 2018). In the case of Nigerian networks, the goods shipped back to Nigeria and subsequently resold are more diverse, including electrical appliances, clothes, butane canisters (Meneses-Falcón et al., 2018). Chinese networks tend to purchase luxury goods (e.g. designer clothes and accessories) and subsequently send them to China (Lalam, 2018; Meneses-Falcón et al., 2018).



## 4. THE ECONOMICS OF HUMAN TRAFFICKING IN A DIGITISED AGE

As society proceeds ever further into the information age, innovations in information and communication technology have grown to become an indispensable part of everyday life (Stalans & Finn, 2016). While the internet and assorted technological advancements continue to shape our standard of living, so too are the opportunities for crime in general and serious and organised crime in particular on a track of continuous evolution (Wall, 2017). Criminal entrepreneurs are popularly believed to turn to digital communication technologies in order to make their activities even more profitable, in par with their legitimate counterparts (Broadhurst et al., 2014; Wall, 2005/2015). Within this framework, the nexus between human trafficking and technology is an emerging area of public and policy concern (Mendel & Sharapov, 2016; Musto & boyd, 2014; Milivojevic & Segrave, 2017). Numerous fears and anxieties crop up out of concern that things inevitably will take a turn for the worse as a result of the use of new technologies (Hillman, Hooper, & Choo, 2014; Kloess et al., 2014; Thakor & boyd, 2013). This increasing alertness towards “the threats that lurk online” (Milivojevic & Segrave, 2017, p. 34) has resulted in sweeping claims about the intersection between trafficking and technology, foreboding nothing less than imminent disaster (Milivojevic & Segrave, 2017). On that note, the general consensus appears to be that the use of technology has had some impact on the crime of trafficking in persons. The question of what that impact has been or how crimes have been transformed in terms of their mediation by technology, however, is still a matter for debate (Wall, 2005; 2015). In fact, our understanding of how and to what extent technology is used in trafficking operations is rather limited (Milivojevic & Segrave, 2017). How the incorporation of technological developments in turn affects the business model of human trafficking networks is, quite possibly, even more under-considered.

With this in mind, the aim of the present chapter is to unpack some of the abovementioned assumptions that currently define this budding area of inquiry. More specifically, the central focus of this chapter is, on the one hand, the supposed alignment between advancements in technology and the business interests of trafficking offenders, on the other. Based on the empirical findings of the nine country studies conducted as part of an EU-wide study on the financing of human trafficking carried out in 2017 – 2018, supplemented by a literature review concerning the trafficking-technology nexus, this chapter intends to flesh out the connections between the operational, technological, and financial dimensions of trafficking in human beings. The first section maps the role of technology in the human trafficking modus operandi. Following this, the implications of the use of digital communication technologies for the human trafficking business model are discussed. The concluding section will reflect on the main findings that were presented throughout this chapter.



## 4.1. THE USE OF DIGITAL COMMUNICATION TECHNOLOGIES IN HUMAN TRAFFICKING OPERATIONS

Considering the cyber-component of the human trafficking *modus operandi*, the use of technology cannot be viewed separately from the traditional workings of the trafficking offence. The crime of trafficking in human beings, by its very nature, involves a planned series of steps rather than a singular criminal act. In this sense, trafficking operations generally follow a distinct course of action. According to Aronowitz (2009; see also: Campana, 2016), trafficking in persons can be understood as a process composed of four stages, namely the recruitment, transportation and exploitation of human beings and the subsequent management of illicit proceeds. Accordingly, technology is used as a facilitator from one end of the trafficking cycle to the other (Antonopoulos, 2018). Against this background, the discussion of the role of the internet and assorted technological advancements in the following section is structured around the different stages of the human trafficking process.

### 4.1.1. Recruitment

To start from what is most commonly referred to as the beginning of the human trafficking cycle, technology has added a whole new level to the process of recruitment (boyd et al., 2011; Di Nicola et al., 2017). The internet in particular has amplified the recruiting efforts of trafficking networks by bringing a wider pool of potential targets from various socio-economic and geographic backgrounds within their reach (Yu, 2014; Verham, 2015; Malby et al., 2015). Broadly speaking, e-recruitment practices are adopted both in cases of labour exploitation as well as in trafficking for the purpose of sexual exploitation (Raets & Janssens, 2018; Antonopoulos, 2018). Quite a few online platforms present opportunities for singling out, contacting and ensnaring suitable targets, most notably social networking sites, online classifieds, dating sites, and chat rooms (Latonero et al., 2011; Di Nicola et al., 2017).

The ubiquity of personal information on social media and other sites facilitates the identification and selection of potential victims appreciably (Watson et al., 2015; Lavorgna, 2015; Di Nicola et al., 2017). Recruiters usually apply crude selection criteria to potential trafficking candidates. Most often, these criteria revolve around physical attractiveness, psychological vulnerability, and accessibility (Kloess et al., 2014; Lavorgna, 2013). Concerning the ease of access to potential targets, technological features such as the geotagging of images and postings on social media (Malby et al., 2015) or the use of location-based dating apps of a similar kind as Tinder (Powell & Henry, 2017) enable offenders to determine the proximity of their prospective recruits. In addition, skilled recruiters are able to read into their subject's mental state through their online presence and quickly pick up whether a target is in a vulnerable position or not (Vanderschaaf, 2013). Alternatively, social media profiles and other sources of personal data allow for the identification of specific targets, as the purposive

targeting of independent sex workers by trafficking rings in Bulgaria demonstrates (Rusev et al., 2018).

The identification of suitable targets is logically followed by attempts to contact the selected individuals. In general terms, strategies to get in touch with potential victims range from generic and impersonal approaches such as the posting of deceptive job offers (Vanderschaaf, 2013) to highly individualised plots. In case of the former strategy, recruiters essentially cast their net wide and wait until an unsuspecting target takes the bait (Yu, 2014). On this account, trafficking offenders do not always need to go after vulnerable targets or set up wildly deceitful schemes. In some cases, victims approach recruiters on their own initiative. The offering of package deals to those looking to travel to Europe (see Terenghi & Di Nicola, 2018) is a clear example of this type of indirect recruitment. In the same spirit, “double role girls” (Lavorgna, 2013, p. 121) – victims who managed to climb the ranks of the trafficking organisation – can serve to intrigue and incentivise other potential recruits by showcasing a life of luxury on social media outlets. Some recruiters, on the other hand, prefer a more direct approach, characterised by chasing targets of choice rather than targets of chance. Handpicking vulnerable individuals and zeroing in on those potential victims leaves room for a more personal touch. While more time-sapping and labour-intensive, a personalised recruitment strategy is generally more compelling and effective (Yu, 2014). When it comes to approaching suitable targets, digital communication technologies lower the threshold to make contact with prospective recruits. Increased disinhibition is a well-known side effect of interacting in cyberspace (Lavorgna, 2013). Online communications easily cut across social barriers, bend the rules of interpersonal conduct and generally speed up contacts (Suler, 2004; Kloess et al., 2014). Virtual associations thus prompt accelerated self-disclosure, which naturally paves the way for victim subjection. The wide availability of personal information on the internet assists the progress of online recruitment efforts in a similar way. Keeping tabs on somebody through their social media postings, learning about an individual’s concerns, day-to-day activities, or other personal details and converting this knowledge into a form of customised deceit is undoubtedly conducive to the swift establishment of a connection with one’s victims (Di Nicola et al., 2017; Lavorgna, 2015). Likewise, imprudently shared private information enables recruiters to pick up the personality of potential sex trafficking victims, making it possible for imaginative offenders to adopt a fabricated persona for the purpose of presenting themselves to their chosen targets by means of a fake, and thoroughly engineered, online profile (Europol, 2017; Kloess et al., 2014).

Touching on the subject of bringing potential victims under one’s control, recruitment for the purpose of sexual exploitation occasionally involves a grooming process aimed at gaining the victim’s confidence (boyd et al., 2011; Hughes, 2014; Latonero et al., 2011). The term “grooming” generally refers to the process whereby an offender prepares a prospective victim for one or multiple episodes of abuse (Kloess et al., 2014; Malby et al., 2015). This preparatory work basically revolves around the building, and subsequent abuse, of trust (Kloess et al., 2014).

Remarkably, the online grooming processes of sexual offenders who target children and the subcategory of lover-boy traffickers show great similarity. Then again, both types of offenders share the same criminal objectives, to wit: obtaining access to victims, ensuring compliance, and maintaining the victim's secrecy (Malby et al., 2015). If successful, the grooming process ultimately culminates into a perverted relationship defined by a deeply distorted balance of power (Kloess et al., 2014; Di Nicola et al., 2017). To this end, offenders largely resort to a carrot-and-stick approach where pleasant inducements and sweet talking alternate with violent threats and blunt coercion. This dual strategy of providing attention and appreciation in conjunction with establishing control and isolating the targeted individual from any protective significant others serves to force victims into a position whence there is no clear escape (Vanderschaaf, 2013; Kloess et al., 2014). On that account, the creation of a state of emotional dependency by making pretence of amorous interest is a trademark of the lover-boy modus operandi (Di Nicola et al., 2017).

#### **4.1.2. Transportation**

In order to proceed from drawing in suitable targets to actually exploiting them, many, if not most trafficking rings need to move their recruits from the source country to their respective country of destination. Accordingly, the phase of transportation necessarily involves logistical and travel arrangements intended to bridge the operational distance between recruitment efforts and the final cause of exploitation (Watson et al., 2015; Di Nicola et al., 2017). In this context, criminal entrepreneurs, not unlike their legitimate counterparts, often rely on technological developments to execute these kinds of ancillary activities in a smooth and efficient way (Choo & Grabosky, 2014). Digital communication technologies can facilitate the transportation of trafficking victims either by simplifying the procurement of travel documents or through the online booking of train, plane, and bus tickets (Lavorgna, 2013). The same goes for counterfeit documents, as advancements in technology open the door for higher quality fraudulent imitations at lower prices (Antonopoulos, 2018). Moreover, aligning concurrent processes of recruiting, transporting, and exploiting presupposes close coordination among the different nodes of a trafficking organisation (boyd et al., 2011). Under these circumstances, the internet and assorted technologies offer new opportunities for criminal collaboration and organisation (Konrad et al., 2017; Latonero et al., 2015). Furthermore, digital communication technologies greatly facilitate coordination across dispersed sites of activity, which means that criminal operations can be run from a distance without much difficulty (Broadhurst et al., 2014). Other than that, a number of trafficking networks wield the internet as an enhanced communication tool because these technologies pose less of a risk in terms of wiretapping or the interception of potentially damning conversations in comparison to more traditional methods of communication such as phone calls (Bijlenga & Kleemans, 2017; Wall, 2005/2015; Europol, 2017). In short, technology offers considerable managerial and organisational opportunities for human trafficking operations (Lavorgna, 2015).

### 4.1.3. Exploitation

Continuing on this line, the transferring of victims is ordinarily followed by the phase of exploitation. Considering trafficking for the purpose of sexual exploitation, victims need to be advertised in one way or another in order to sell and consequently profit from their services. In this connection, technological developments have modified the ways in which trafficking victims are marketed (Europol, 2016; Greiman & Bain, 2013; Mitchell et al., 2011). The World Wide Web provides a way to advertise anything to a wide audience, all with a minimum of effort (Mitchell & boyd, 2014; Latonero et al., 2012; Di Nicola et al., 2017). At the same time, due to this expanded advertising reach, technology may also provide an efficient means of reaching more obscure target audiences (Mitchell & boyd, 2014). Because of its discreetness, relative anonymity and general effortlessness, online soliciting can be considered as a particularly sex buyer-friendly marketing strategy (Farley et al., 2013; Verham, 2015; Ibanez & Gazan, 2016). The accessibility and convenience of online soliciting encourages “virtual cruising,” in which clients can make a choice in the comfort of their own home while retaining a sense of privacy (Sanders et al., 2018; Yu, 2014; Perer, 2012). For the most part, criminal entrepreneurs are quite flexible in how they advertise their “commodities” (Hughes, 2014). Advertising venues range from major public websites to underground online platforms (boyd et al., 2011). To specify, the marketing of trafficking victims is associated with social media (Europol, 2016; Di Nicola et al., 2017; Finn & Stalans, 2016), online classifieds (Ibanez & Gazan, 2016; Portnoff et al., 2017), dating sites (Europol, 2016; Finn & Stalans, 2016), dedicated escort websites (Europol, 2016; Di Nicola et al., 2017), specialised websites that provide a forum for clients to review the sex workers they visited (Di Nicola et al., 2017; Finn & Stalans, 2016), niche sites tailored to certain paraphilias (Finn & Stalans, 2016), and darknet markets. However, the latter category appears to be reserved for child sexual exploitation material (Europol, 2017) and the selling of sexual services by minors (Di Nicola et al., 2017). To note, the darknet is used by a comparatively small number of people, which severely limits its potential as a marketing platform (Howell, 2016). In contrary to the wide variety of online advertising venues, it is important to mention the importance of a handful of major market leading websites (Sanders et al., 2018), such as [redlights.be](http://redlights.be), [hookers.nl](http://hookers.nl) or [vivastreet.fr](http://vivastreet.fr). Online promotional platforms regularly employ the freemium business model, which entails that advertising is free, but upgrades which bring more visibility and thus more clients are paid (Sanders et al., 2018). Beyond catching the attention of potential buyers, communication technologies are a convenient tool to talk terms and arrange appointments with clients (Mitchell & boyd, 2014; Hughes, 2014; Europol, 2016). In a few well-organised trafficking networks, this type of customer interaction can take the form of online platforms set up to handle clients (see Antonopoulos, 2018) or even entire organisational departments specialised in online promotion and web design (see Nicolae, 2018).

Over and above online soliciting, new technologies can be leveraged as a means to exercise control (Greiman & Bain, 2013; Mitchell & boyd, 2014). In some cases, trafficking offenders induce compliance

by obtaining sexually explicit images (whether taken with or without consent) and subsequently threatening to distribute these pictures to friends or family members (Powell & Henry, 2017; Hughes, 2014). This type of blackmail is also known as sextortion (Di Nicola et al., 2017) or image-based sexual abuse (Powell & Henry, 2017). Aside from emotional wire-pulling, digital surveillance systems (Hughes, 2014; Europol, 2016; Meneses-Falcón et al., 2018) and location tracking services (Gerry et al., 2016; Europol, 2016) permit traffickers to keep a close watch on their victims. Some apps are in fact specifically marketed for the purpose of monitoring. Examples are spy cams and camera apps, or perpetrators can choose to install spyware in order to monitor locations and communications (Powell & Henry, 2017). Another technology-mediated method of control is to make victims report back to their exploiters by demanding messages via mobile after each service or by sending pictures in order to verify their location (Oude Breuil et al., 2018; Terenghi & Di Nicola, 2018). More broadly speaking, technology can be used to communicate with victims, to boss them around, and to issue threats (Hughes, 2014), all with the benefit of remaining distanced from the site of exploitation (Europol, 2016). On occasion, traffickers impose restrictions on the use of technology with the aim of further isolating their victims (boyd et al., 2011; Latonero et al., 2015; Hughes, 2014). In certain cases, these restrictions assume the form of taking control over social media accounts and profiles, both in the interest of supervision and for marketing purposes (Rusev et al., 2018).

More than that, technology in and of itself can be leveraged as a modality of exploitation (Oude Breuil et al., 2018). The digital revolution has resulted in a medium through which sexual services are sold online purely in the form of indirect contact (Sanders et al., 2018). In this context, the term “coerced cybersex” (Greiman & Bain, 2013) denotes a relatively new form of exploitation that relies entirely upon the use of digital communication technologies (Malby et al., 2015). Video hosting services can for instance be employed in order to broadcast sexual acts, while allowing access only to users who have paid to watch (boyd et al., 2011). As regards webcam platforms, customers are usually charged in per minute increments (Sanders et al., 2018; Bach & Dohy, 2015). That being said, the proceeds from online sexual services are generally much lower than those in other segments of the sex industry (Sanders et al., 2018).

#### **4.1.4. Financial management**

Ultimately, most trafficking operations are set up with an eye towards making a profit. As far as the process of financial management is concerned, criminal entrepreneurs have been found to place their confidence in technological solutions, albeit only sporadically. For instance, certain financial transactions can take place over the internet, thereby involving digital monetary services or alternative payment markets (Broadhurst et al., 2014; boyd et al., 2011). As follows, cyberspace may be used to move illicit funds abroad in a relatively fast and economical way (Meneses-Falcón et al., 2018). Online banking in particular increases the



ease with which new accounts can be opened, thus indirectly facilitating the use of money mules (Bijlenga & Kleemans, 2017; Europol, 2017; Mitchell & boyd, 2014). In this sense, technological advancements can also be instrumental in the laundering of criminal proceeds resulting from exploitation (Hughes, 2014). Relevant to the subject of money laundering, cryptocurrencies such as Bitcoin are readily associated with the issue of criminal money management. These alternative payment instruments have attracted the attention of various criminal enterprises by reason of their decentralised configuration, which essentially means that virtual currencies operate independently of the traditional banking system and thus outside the boundaries of governmental and regulatory oversight (Brenig et al., 2015; Hoyer, 2017). For this reason, cryptocurrencies could be leveraged as a tool to conceal criminal profits, or as a conduit for the payment of bribes (Watson et al., 2015). However, despite the apparent advantages of cryptocurrency-based or cyber-mediated money laundering, human traffickers seemingly stick to more traditional methods such as cash (Brenig et al., 2015). One could argue that the apparent unpopularity of virtual currencies in human trafficking circles might be rooted in unfamiliarity or a general lack of expertise. If anything, financial management is a high-stakes phase of the trafficking cycle, and this in itself might explain why offenders prefer to cling to the methods they know and are familiar with. Accordingly, technological advancements like Bitcoin, while facilitative of trafficking activities, are not necessarily promptly incorporated into the human trafficking modus operandi (Watson et al., 2015).

## 4.2. THE IMPACT OF TECHNOLOGY ON THE HUMAN TRAFFICKING BUSINESS MODEL

As made apparent above, the contours of the crime of trafficking in persons are gradually being reshaped through technological developments (Milivojevic & Segrave, 2017). Most importantly, digital communication technologies bear on many facets of the trafficking business. Human trafficking is, by and large, a multidimensional and highly adaptive criminal venture and the role of technology can be widely different as a result of this variegation (boyd et al., 2011; Di Nicola et al., 2017; Latonero et al., 2012). From this perspective, the trafficking-technology nexus presents a rather diffuse image (Latonero et al., 2012). Having established that the role of new technologies in trafficking operations is a lot more diversified than it was originally made out to be, in turn, raises the question of how these diverse technological applications affect the human trafficking business model. On that account, the next section considers the structural and financial implications associated with the adoption of technology.

First off, digital and networked technologies have a bearing on the organisation of human trafficking operations (Latonero et al., 2012). On the whole, the embracement of technology enhances flexibility and allows offenders to effectively streamline the trafficking process (Hughes,



2014; Farley et al., 2013). As a result of this increased flexibility, the need to have local intermediaries or emissaries in source countries becomes largely avoidable, thereby erasing a layer of the criminal organisation (Lavorgna, 2015; Lavorgna, 2013). The calculated usage of new technologies could potentially supplant certain roles in trafficking networks (Raets & Janssens, 2018), notably the functions of recruiter, transporter, and enforcer. In addition, the reduced need to be physically present as the site of operation enables offenders to distance themselves from the criminal transactions (Malby et al., 2015; Di Nicola et al., 2017; Latonero et al., 2011). Having the ability to offend from afar also implies that the geographical location of criminal actors and co-offenders is less significant than it was before (Wall, 2005/2015; Lavorgna, 2015). Whereas technology obviates the need for certain roles, other criminal actors become more important, to wit external facilitators in the form of IT experts. The connections between members of a trafficking ring can often be highly clustered. If necessary, individuals who hold technical expertise or have specific capacities can therefore be sought outside the confines of the criminal network (Bijlenga & Kleemans, 2017). Furthermore, technological advancements might capacitate both individual offenders and smaller criminal groups to set up their own trafficking venture (Lavorgna, 2015; Lavorgna, 2013). Digital communication technologies have particularly empowered individuals in a way that has never been possible before (Broadhurst et al., 2014). Simply put, technology acts as a “force multiplier” (Powell & Henry, 2017, p. 246), providing motivated single agents with the means to reach a virtually inexhaustible pool of potential targets while requiring an absolute minimum in terms of efforts or capabilities. In other words, these “empowered” individuals might find themselves in a position where they are able to control every aspect of the trafficking process, which previously necessitated a range of criminal actors with various skill sets (Wall, 2017; Lavorgna, 2013). This means that the organisational and business models that were once developed with a view to carrying out criminal operations in the real world are not necessarily reflected in the organisation of cyber-mediated trafficking activities (Lavorgna, 2013). In this way, the adoption of technological advancements has only added to the diversification of the human trafficking landscape. Moreover, the fact that one or even a handful of people can control entire criminal processes has certain implications for our comprehension of the organisation of crime as such (Wall, 2017). That is, the impact of a criminal network does not always correspond to its size, nor is “organised” by definition synonymous with more “serious” or “dangerous” (Leukfeldt et al., 2017). So, in some respects, the use of technology has levelled the playing field for individual offenders and smaller, looser criminal networks (Lavorgna, 2013). A case in point is how the internet effectively contributed to the gradual erosion of the existing cartelisation and monopolisation of the sex market by organised crime syndicates in Bulgaria (Rusev et al., 2018).

Secondly, regarding the financial impact related to the use of new technologies, just as technology enhances structural flexibility, so too it heightens the efficiency of criminal operations (Broadhurst et al., 2014). In general terms, the adoption of technological developments goes hand in hand with a reduction in operating costs and investments (Malby et

al., 2015). By way of illustration, the costs of recruitment can be kept to an absolute minimum through the use of the internet. Deceptive ads can for instance be disseminated across various online platforms at once in order to lure and recruit potential victims at no cost (see also Antonopoulos, 2018). Besides that, online recruitment is less risky in terms of backtracking, given that it is much easier and less of an issue for recruiters to back out once they realise that the situation is not working out as planned (Lavorgna, 2013). Beyond recruitment, digital communication technologies can lower the costs for advertisement and customer acquisition (Malby et al., 2015). Overall, online solicitation is cheaper and more instantly effective when compared to more traditional methods of marketing such as buying ads in a local newspaper (Sanders et al., 2018). New technologies also provide the means for broader flexibility in the acquisition of clients, thereby increasing the expediency of this commercial pursuit (Latorero et al., 2011; Sirseloudi, 2018). Likewise, the use of technology can have an impact on the costs related to supervision and control, as technological advancements mitigate the need for a member of the criminal network to be physically present on the premises at all times (Antonopoulos, 2018; Rusev et al., 2018). Lastly, technologies let trafficking offenders cut back on transaction costs in the form of expenditure on accommodation, and more specifically on window fees (Raets & Janssens, 2018). In this connection, a relevant example is the recent phenomenon of sexual transactions taking place in accommodations rented through the online platform Airbnb (Lalam, 2018), also known as “pop-up brothels” (see Sanders et al., 2018). In general, the internet has augmented the regular sex industry in that a great part of sex workers are now advertising online and, accordingly, sex work is increasingly relocated into private residences and hotels (Finn & Stalans, 2016; Sanders et al., 2018; Greiman & Bain, 2013). Street corners and windows correspond to marketplaces that are by definition restricted in size (Farley et al., 2013). By contrast, through the internet, sex workers are able to flexibly employ themselves in more than one sector and move between segments of the industry according to need (Sanders et al., 2018). In this way, the internet can broaden the opportunities to make money. Online solicitation and the increasing privatisation of sex work also reduce the competitive advantage of having access to established and profitable locations (Rusev et al., 2018). Consequently, as far as costs and investments are concerned, cyber-enabled trafficking operations demand little investments in terms of man hours or financial capital, nor is there a need for much technical skills, as these activities amount to simple “‘point and click’ crimes” (Viano, 2017, p. 4). The potential return on effort, on the other hand, is high, largely through the wide availability of potential targets (Powell & Henry, 2017; Greiman & Bain, 2013) and the reachability of an expanded customer base (Ibanez & Gazan, 2016; Lavorgna, 2015). More than that, digital technologies present new opportunities for making a profit by opening doors to new markets, clients, and sectors that were previously untapped (Nicolae, 2018). In other words, technology can render the notoriously cost-effective crime of trafficking in human beings even more cost-effective.

In connection with the financial implications tied to the use of technology, the internet and related technological developments have a bearing on

the longer-term cost of detection. That is, relying on technology comes at the cost of heightened visibility (boyd et al., 2011; Latonero et al., 2011; Thakor & boyd, 2013). This is due to the fact that online activity inevitably leaves traces (Wall, 2005/2015; boyd et al., 2011). The online exposure of trafficking activities is therefore closely connected to two conflicting objectives: hiding one's illegal operation from law enforcement agencies and disclosing one's business to customers (Lavorgna, 2015). In consequence, offenders are forced to balance security risks with operational necessities (Ibanez & Gazan, 2016). Whereas some offenders opt for more overt and wide-reaching marketing methods, others avoid using technology altogether as part of a deliberate risk-averse strategy (Rusev et al., 2018). As mentioned above, the reluctance to leave digital traces behind is particularly pervasive in the field of money management simply because of the high risks that are involved in this part of the scheme.

However, trafficking offenders are obviously aware that they are vulnerable to law enforcement as a result of online exposure, and adjust their tactics accordingly (Konrad et al., 2017). Offenders learn to leverage technology in creative ways in order to lower the risk of being uncovered (Stalans & Finn, 2016). For instance, maintaining anonymity or assuming false identities during the commission of crimes is much easier in cyberspace than in the real world (Stalans & Finn, 2016). Apart from fake profiles and the accompanying bogus identities, anonymity can also be safeguarded with the help of technological solution such as encryption, VPN's, proxies or other anonymising features designed to obfuscate digital trails (Europol, 2017). Another possibility is to boldly hide in plain sight (Finn & Stalans, 2016). Common countermeasures in this sense are the use of coded language and cryptic terms, both in advertising and in-group communication (Yu, 2014; Malby et al., 2015; Ibanez & Gazan, 2016). By way of example, certain keywords are reputedly meant to serve as signals for the purchasers of sex with minors (Latonero et al., 2011). Alternatively, perpetrators mask the criminal nature of their undertakings by presenting their activities as legitimate services such as massaging or dating services (Finn & Stalans, 2016; Di Nicola et al., 2017). Online soliciting can thus be done in a more covert and surreptitious way (Sanders et al., 2018). A last resort in evading detection is to relocate all online activity from risky, high-profile venues to more covert and clandestine platforms (Finn & Stalans, 2016). This suggests that cracking down on certain sites of activity just drives trafficking activity further underground (Sanders et al., 2018).

### **4.3. IMPLICATIONS FOR LAW ENFORCEMENT**

In this concluding section, the main points of this chapter will be recapitulated, with an eye towards drawing our findings about the financial, operational, and technological dimensions of human trafficking together. First and foremost, the main rationale behind the adoption and incorporation of technology in the human trafficking modus operandi is essentially rooted in financial logic, more specifically the pursuance of a

more favourable cost-to-benefit ratio (Wall, 2005/2015). The same holds true for the decision to avoid the internet and its derivatives. In effect, technology is a double-edged sword, generating heightened efficiency as well as heightened visibility (Musto & boyd, 2014). In this connection, the use of new technologies principally affects the logistics of the criminal operation rather than the core of the trafficking business. Even after the integration of technological aspects, the bottom-line of any trafficking enterprise stays very much the same. In other words, only the method of operation shows contrast, whereas the underlying principles and vested interests remain practically unchanged (Viano, 2017). As follows, embracing technology brings about “differences of degree rather than kind” (Powell & Henry, 2017, p. 246). On this account, the role of digital communication technologies should be kept in perspective (Mitchell et al., 2011; Stalans & Finn, 2016).

Furthermore, the image of cyber-mediated trafficking as presented throughout this chapter does not seem to confirm the almost apocalyptic claims made with regard to the nexus between trafficking and technology (Hillman et al., 2014; Kloess et al., 2014; Thakor & boyd, 2013). As far as a “cyber-lift” is concerned (Wall, 2005/2015), the general trend is not one of scaling up, setting up ever bigger operations, or exploiting unseen numbers of victims. In fact, there is no conclusive data as to whether the adoption of technology increases experiences of exploitation (Musto & boyd, 2014). Rather than escalating matters, technology has seemingly added to the diversification of the human trafficking landscape. When looking at the effect of technology on the structure of trafficking networks, traditional, hierarchical organisations are expanding their field of operation to the digital domain space with smaller and more flexible criminal networks (Choo & Grabosky, 2014; Broadhurst et al., 2014). Attitudes toward the online environment nevertheless vary widely according to the risks that are perceived to be involved in this digitising exercise (boyd et al., 2011), which is why the level of online exposure in trafficking operations ranges from no use whatsoever to exclusive reliance on the internet and virtually everything in between (cf. Rusev et al., 2018).

On a final note, it should be remarked that technology can be exploited for all manner of purposes, as is the case with any tool or instrument (Howell, 2016). In this respect, technological developments have been framed both “as part of the problem (...) and part of the solution” (Milivojevic & Segrave, 2017, pp. 29-30). In a sense, the same technologies that are modifying crime are also modifying police work (Wall, 2017). As reported by recent studies (see for example Oude Breuil et al., 2018; Raets & Janssens, 2018), law enforcement agencies across different nations are gradually following suit in adopting new technologies. However, the issue is not whether law enforcement agencies make use of technologies, but rather if these responses correctly reflect the changing threat landscape (Europol, 2017). With this in mind, it is important to take the complicated and multifaceted nature of human trafficking into consideration. The crime of trafficking in human beings inherently touches upon many different dimensions and aspects, which implies that information about trafficking cases is often fragmented

(Konrad et al., 2017). Investigating trafficking cases therefore presupposes an increasing level of sophistication and a wide range of investigative skills in law enforcement agents (Aiken & Chan, 2015; Mitchell & Boyd, 2014; Hillman et al., 2014). In view of this complexity, the mainstreaming and routinisation of both technological and financial knowledge into human trafficking investigations is nothing short of imperative (Wall, 2017; Hillman, Hooper, & Choo, 2014; Mitchell, Jones, Finkelhor, & Wolak, 2011). Conversely, siloing various forms of expertise from one another comes at the risk of compartmentalising the investigation of the different arms of the trafficking business that are de facto part of the same offence (Farley et al., 2013). To conclude, in coming to grips with the nexus between trafficking and technology, the ultimate aim should be to deal with the crime of trafficking in persons in a more constructive way. A nuanced and connected approach (Wall, 2017) that mirrors the true nature of the connections between technology, trafficking, and finances is, for this reason, absolutely essential.

## 5. THE FINANCIAL APPROACH TO TACKLING TRAFFICKING IN HUMAN BEINGS

Buying plane and train tickets, renting accommodation, moving funds abroad and reinvesting profits – not only do all these activities make the crime of trafficking in human beings possible, they also in many cases leave indelible financial traces. Human trafficking operations commonly take the form of a business-like logistics chain, and each and every one of these logistical steps is, to some degree, mirrored in financial transactions. It is therefore difficult for organised crime groups to carry out their undertakings without leaving some kind of pecuniary mark, as both the perpetration of the offence and the enjoyment of its proceeds can result in a trail of financial breadcrumbs (Wood, 2017). On this premise, finances are principally at the very front and centre of trafficking operations. Yet, the financial aspects of human trafficking are, to all appearances, not central to law enforcement responses. For the most part, attempts to combat trafficking in human beings stay focused on the crime of trafficking itself and not on the proceeds (OSCE, 2014). Money is nevertheless often imagined as the be-all and end-all of serious and organised crime and this includes human trafficking. In point of fact, the financial approach towards human trafficking is expressly based on the presumption that human trafficking offenders are ultimately driven by profit. Without the prospect of profitability, there is seemingly no warrant for its exercise (Lalam, 2018). Thus, money is, in more ways than one, a weak spot for trafficking organisations. Against this background, the question begs to be answered: which role do financial approaches play in mounting an effective response against trafficking in persons?

The current chapter reflects on the use of finance-oriented approaches in dealing with human trafficking. The first section describes the adoption of financial measures in the anti-trafficking field, depicting in what ways financial investigations can be leveraged in the context of human trafficking and subsequently comparing this range of functionalities with how financial investigations are actually used. Following this is a section which looks into the effectiveness of the financial approach. More specifically, the variety of factors which affect the degree to which monetary measures are successful in stemming human trafficking activity, as well as some of the implicit assumptions which lie at the root of financial approaches, will be considered. To conclude this chapter, a number of good practices with regard to the practical implementation of financial approaches towards human trafficking rings are highlighted.



## 5.1. THE USE OF FINANCIAL MEASURES IN THE CONTEXT OF TRAFFICKING IN HUMAN BEINGS

When it comes to targeting human trafficking operations through their monetary resources, financial investigation is the mainstay of any and all finance-oriented approaches. Financial investigation as such can be understood as the “enquiry into the financial affairs related to criminal conduct” (FATF, 2012, p. 3). As an investigative discipline, financial investigations basically imply “the collection, analysis and use of financial information, in its broadest sense, by law enforcement organisations” (Slot et al., 2015, p. 18). However, it should be noted that financial investigations make for an exercise than can be carried out by a variety of different agents, both within and beyond law enforcement. Actors that typically have a part in this matter are police forces and dedicated financial intelligence services (Slot et al., 2015), yet agencies such as social inspection services, administrative bodies and private financial institutions can also be brought into play (Oude Breuil et al., 2018; Raets & Janssens, 2018). In this context, it is important to recognise the differing levels of knowledge and expertise in the field of financial investigations (Slot et al., 2015). Financial investigative attitudes and abilities present themselves in various forms throughout the law enforcement and judicial system, starting with an elementary notion of asset-oriented approaches at the level of local police forces, up to the highly specialist skillset needed to crack the more complex or puzzling financial elements of a criminal case (Oude Breuil et al., 2018; Slot et al., 2015).

As follows from the above, financial investigation is to be considered “first and foremost an investigation method” (Slot et al., 2015, p. 9). In this sense, financial investigations can be conducted with a wide variety of inquisitorial purposes in mind. In the first place, looking into financial trails is a possible avenue for detecting and correctly identifying incidences of human trafficking (Brown, 2013; Leman & Janssens, 2015). More than that, financial investigation inherently carries potential in terms of building cases and providing evidence (Oude Breuil et al., 2018, 2018; Raets & Janssens, 2018). Financial intelligence complements and supports more traditional forms of fact-finding, such as the questioning of victims or other witnesses (Wood, 2017; Wright, 2017). In other words, following the money can bolster investigations into the underlying offence (Wood, 2017). Direct proceeds, for example, constitute proof of the predicate criminal activities (Golobinek, 2006). Moreover, financial evidence can pave the way for an array of additional charges, notably in the sphere of financial and economic crime (Wright, 2017; Wood, 2017). On a similar note, prying into suspicious transactions can reveal inordinately luxurious lifestyles as well as personal connections and cooperative links, thereby allowing investigators to connect the dots between places, people and illicit acts (Wood, 2017). Financial investigations may thus be of use in laying bare the structure of trafficking organisations (Raets & Janssens, 2018). After all, money is what ties these networks together. In this sense, gaining insight into the financial flows of a trafficking operation may very well shed a light on the power structure between the different members of a group (Oude Breuil et al., 2018; Wright, 2017). Furthermore, by

tracing the financial breadcrumbs, investigators might uncover previously unknown victims or even co-offenders, including the relatively elusive top-tiers of the human trafficking business which merely handle the finances rather than involving themselves in the actual exploitation (OSCE, 2014; Wright, 2017; Bell, 2001). As a result, along the lines of identifying the different nodes of a network and determining their respective financial position, financial inquiries likely aid in revealing the full picture of trafficking operations (Oude Breuil et al., 2018).

Aside from evidentiary contributions, financial investigations have significance for the confiscation of illegally obtained profits (Oude Breuil et al., 2018; Brown, 2013; Wright, 2017). Whereas financial intelligence is a pre-eminent route to locating criminal assets and ascertaining ownership (Wood, 2017), financial investigation tools equally hold value with regard to getting a measure of the amounts involved (Sirseldoudi, 2018). In effect, there are many different ways to assess the proceeds of a human trafficking ring. The most basic method entails a direct calculation of the profits of the criminal enterprise (Oude Breuil et al., 2018; Raets & Janssens, 2018). In cases of sexual exploitation, the overall revenues are typically equated to a sum of the number of victims, the average price of sexual services, and the typical number of clients the victims would receive (Raets & Janssens, 2018; Lalam, 2018). Additionally, the duration of the criminal undertaking is taken into consideration (Lalam, 2018). Estimating the proceeds of labour exploitation, on the other hand, is less straightforward. As regards the financial gains from exploiting a vulnerable workforce, profits largely correspond to the costs the exploiter avoids having to make (Oude Breuil et al., 2018; see also Wright, 2017). As such, calculating the revenues of labour trafficking operations centres around quantifying the amount of unpaid wages and salaries as well as outstanding taxes and social contributions (Raets & Janssens, 2018; Oude Breuil et al., 2018). Factors such as the duration of the employment, working hours, and the type of labour can further shape the assessment figure (Raets & Janssens, 2018). As an alternative to the direct calculation of criminal proceeds, unlawfully obtained assets can be estimated by comparing the total sum of funds one has accumulated over a suspicious period of time with one's supposed legal income (Raets & Janssens, 2018; Oude Breuil et al., 2018). Funds that cannot be legally accounted for are thus inferred to be the result of criminal activity (Oude Breuil et al., 2018). However, reasoning from the foregoing, there is a striking lack of agreement on how criminal profits should be defined or measured (Kruisbergen et al., 2016). Additionally, calculations oftentimes rest on extrapolations and assumptions, thereby widening the scope of possible disagreement. The question whether to take operating expenses into account is a typical point of contention in this matter (cf. Oude Breuil et al., 2018; Raets & Janssens, 2018; Sirseldoudi, 2018).

Nevertheless, the concept of financial investigation is routinely misconstrued, widely misunderstood and repeatedly misapplied (Slot et al., 2015; Wood, 2017). That is, despite its merit as a generic method of investigation, financial investigations are still, in large part, confined to the realms of financial crime and asset confiscation (Wood, 2017; Slot et al., 2015; Soudijn, 2014). This rather myopic view on the why and wherefore

of a financial inquiry is, to some extent, symptomatic of the development of a dogmatic asset recovery culture in law enforcement over the last few years (Slot et al., 2015; Levi, 2015; Lalam, 2018). Against this background, 'follow the money' strategies are all too often elevated to an end in and of itself as opposed to a means to an end (Wood, 2017). Not only is the application of financial investigations more often than not restricted to the purpose of confiscation (Roudaut, 2011; Raets & Janssens, 2018), financial investigations are also predominantly conducted based on case-by-case assessments rather than as part of a systematic response to organised crime or human trafficking (Rusev et al., 2018; Slot et al., 2015; Atkinson et al., 2017). Thus, while some progress has been made in bringing financial approaches out of the unknown and into the mainstream, financial investigation remains, in many instances, a peripheral issue, something seen as an add-on to criminal investigations and not as an integral part of police work (Wood, 2017). In sum, notwithstanding the increasing awareness of the matter, as it stands, the instrument of financial investigation is hardly being used to its full potential (Kruisbergen et al., 2016).

## **5.2. THE EFFECTIVENESS OF THE FINANCIAL APPROACH IN DEALING WITH HUMAN TRAFFICKING**

Simply put, while on the one hand the appreciation of a financial approach towards trafficking in human beings seems to be developing in a positive direction, its actual application, on the other hand, is proving somewhat problematic (Lalam, 2018). A possible explanation for this discrepancy might be found in the panoply of challenges practitioners and policy makers are faced with when translating the idea of asset-focussed interventions into practice. First off, the implementation of financial investigations is frequently bogged down by bureaucratic hurdles and procedural issues (Sirseldoudi, 2018; Antonopoulos, 2018). Adding to that, financial investigations are, by their very nature, notoriously time-consuming endeavours (Oude Breuil et al., 2018; Antonopoulos, 2018; Raets & Janssens, 2018). Time is, however, of the essence in tracking the flow of financial transactions (OSCE, 2014). Moreover, against a backdrop of severe budgetary constraints on the law enforcement apparatus, the implementation of financial investigations, as time-devouring and resource-intensive investigative instruments, might easily come under pressure (Raets & Janssens, 2018; OSCE, 2014). By the same token, the professional resources and subject-specific expertise necessary to properly carry out financial inquiries are not always met with (Rusev et al., 2018; Oude Breuil et al., 2018). More specifically, criminal investigators are often ill-equipped to deal with trafficking-related financial intelligence, in part due to a lack of cross-topic training (OSCE, 2014; Raets & Janssens, 2018). Financial investigators, conversely, are largely unfamiliar with the particularities of the crime of trafficking in human beings (OSCE, 2014). In more general terms, the cultivation of finance-oriented approaches runs against certain occupational and cultural law enforcement practices (Antonopoulos, 2018). The financial affairs of human traffickers are

trifling matters to law enforcement bodies, whose principal focus lies with evidencing criminal conduct and securing trafficking convictions (Antonopoulos, 2018; Meneses-Falcón et al., 2014). Likewise, in the grand scheme of organised crime activity, human trafficking offenders are far from the biggest fish in the pond, making them less of a priority for financial investigations (Antonopoulos, 2018; Meneses-Falcón et al., 2018; Nicolae, 2018). The mainstreaming of financial enquiries is further stymied by the fact that investigative methods relating to money matters still carry the connotation of a high-wire act – a strenuous and complex task best left to specialists (Soudijn, 2014). In this respect, unravelling the economics a trafficking enterprise is popularly considered to be an encumbrance rather than an effective response to this crime (Slot et al., 2015).

The piecemeal adoption of financial investigative measures is thus, to some extent, traceable to practical and attitudinal obstacles within law enforcement. However, financial investigation, as a multi-agency issue, necessarily transcends the traditional criminal justice system. Close cooperation between the different actors involved is, from this perspective, a critical success factor. That being said, inter-agency collaboration and the exchange of information have, quite predictably, been identified as major bottlenecks in the proceeding of financial investigations, both with reference to domestic (FATF-APG, 2018; OSCE, 2014) and transnational partnerships (Oude Breuil et al., 2018; Raets & Janssens, 2018; Slot et al., 2015). On the whole, international collaboration in human trafficking cases knows greatly differing degrees of success and is particularly limited with respect to the financial component (Raets & Janssens, 2018; Nicolae, 2018; OSCE, 2014). For one thing, the traditional approach of written requests for mutual legal assistance is widely regarded by practitioners as a sluggish and cumbersome process (Brown & Gillespie, 2015; Wood, 2017; Slot et al., 2015). At the same time, a principal stumbling block to cross-border investigations lies in the cooperation with third countries (Terenghi & Di Nicola, 2018; Slot et al., 2015). While linguistic barriers and procedural disparities certainly can complicate matters (Oude Breuil et al., 2018; Lalam, 2018; Terenghi & Di Nicola, 2018), a very specific and serious difficulty arises when the trail of criminal finances leads investigators to a country with which there is no agreement to cooperate and which flat-out refuses to share information, or is unable to do so due to a lack of basic infrastructure (Terenghi & Di Nicola, 2018; Slot et al., 2015). Stashing illicit funds abroad is, for this reason, close to standard practice in the field of human trafficking (Lalam, 2018; Brown & Gillespie, 2015). Generally speaking, in response to the widespread adoption of follow-the-money approaches, trafficking offenders have recourse to a number of conceivable counterstrategies (Nicolae, 2018; Raets & Janssens, 2018; Sittlington & Harvey, 2018). Supplementary to covering one's monetary tracks, two rather antithetical modes of money management likely serve the purpose of frustrating the confiscation process. More specifically, lower-level offenders typically blow their profits on frivolous pursuits, whereas higher-ranking criminal entrepreneurs are more inclined to seek out ways to successfully hide their lucre (Sittlington & Harvey, 2018; Antonopoulos, 2018). In either case, the same end result is achieved – there is no more money left to confiscate (Sirseldoudi, 2018). On that account, the level of attrition between the aggregate amount of funds

eligible for confiscation and the sum of funds actually recovered can be considered as another sticking point in the use of asset-focussed interventions (Brown, 2013; Kruisbergen et al., 2016). The problem posed by attrition is further exacerbated by the nature of the money laundering schemes most commonly adopted in human trafficking operations, which are marked by a reliance on high volumes of cash and the comingling of finances, thereby making it difficult to ferret out criminal funds (FATF-APG, 2018; Antonopoulos, 2018; Oude Breuil et al., 2018).

Insofar as the actual deployment of financial measures is not quite up to par, a significant part of the difficulties that trouble financial investigations of human trafficking appear to be inherent to the crime of trafficking itself (Lalam, 2018). Above all, the money laundering risk associated with trafficking in human beings is an area which remains relatively opaque (FATF-APG, 2018). The fact that the financial aspects of this phenomenon are far from fully elucidated is, at least in part, attributable to the sheer complexity of these cases (Raets & Janssens, 2018). For one thing, the monetary flows tied to trafficking operations may take different forms throughout the course of the offense. For another, dissimilar modes of operation bring about dissimilar organisational and financial arrangements. In this regard, the financial blueprint of a trafficking enterprise can vary considerably from case to case (FATF-APG, 2018). Intrinsically, the proceeds from this crime come in equally varying shapes and forms, ranging from cash payments to the underhand enrichment of corporate entities, both of which are notoriously difficult to detect (FATF-APG, 2018; Antonopoulos, 2018; Oude Breuil et al., 2018), as pointed out above. In addition, the at times deep-rooted tie-ups between exploitative undertakings and legitimate businesses or the legal economy add another layer of complexity to the question of finances (Antonopoulos, 2018). Moreover, the investigation of human trafficking offences, including their financial component, is still heavily reliant on the testimonies of victims (Meneses-Falcón et al., 2018; Lalam, 2018). Victims, however, are most often rather hesitant and disinclined to cooperate with law enforcement (Terenghi & Di Nicola, 2018; Meneses-Falcón et al., 2018). Consequently, regardless of the presence of a well-developed legal framework or the level of expertise in frontline practitioners, trafficking in human beings can be a particularly tough nut to crack (Terenghi & Di Nicola, 2018; Antonopoulos, 2018).

To counterbalance some of the aforementioned issues, a number of measures have been put in place. Notable headway has been made on the institutional level, namely through the establishment of cross-cutting entities that assist the progress of asset-focussed interventions against human trafficking (Lalam, 2018). Structures that broadly serve the purpose of promoting international cooperation are the ARO,<sup>18</sup> CARIN,<sup>19</sup> EMPACT,<sup>20</sup> and SIENA<sup>21</sup> networks, which enable direct and uncomplicated contact with investigators in other countries in furtherance of exchanging

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<sup>18</sup> Asset Recovery Office.

<sup>19</sup> Camden Assets Recovery Interagency Network.

<sup>20</sup> European Multidisciplinary Platform against Criminal Threats.

<sup>21</sup> Secure Information Exchange Network Application.



operational intelligence and experience (Lalam, 2018; Golobinek, 2006; Slot et al., 2015). In a similar vein, the added value of the medium of Joint Investigations Teams lies in the facilitation of collaboration (Raets & Janssens, 2018). Through the use of JITs, investigative efforts of different states are drawn together and coordinated so that, in this manner, investigators are able to see the full picture with regard to the transnational ambit of a criminal operation (Leman & Janssens, 2015). On the whole, JITs are reputed to be quite effective once established, even though the process of getting a JIT up and running can be a fairly troublesome and thorny issue (Slot et al., 2015).

In spite of these and other opportunities, the implementation of financial approaches against human trafficking networks remains fraught with difficulties. Iterating this large range of challenges begs the question whether the pursuit of finance-oriented stratagems really makes for a worthwhile endeavour in the end. Put differently, to what extent do the results of asset-minded interventions justify the time, money and efforts spent toward this purpose? In order to get an impression of the presumed effectiveness of financial approaches, one needs to look no further than the logics and rationales that underpin the targeting of criminal proceeds. The main idea is that by going after the fruits of criminal activity, both the means and the motivation to commit future crimes should be truncated (Levi, 2015; Atkinson et al., 2017; Kilchling, 2014). Seizing illicit earnings discourages crime by reducing its profitability, thereby removing the prime incentive for and appeal of offending (Kilchling, 2014; Bell, 2001; Kruisbergen et al., 2016). In addition, asset-focussed interventions are imagined to take a bite out of the monetary resources available to criminal entrepreneurs, thus decreasing the ability of offenders to finance other operations (Atkinson et al., 2017; Kilchling, 2014; Kruisbergen et al., 2016). Incidentally, stripping human traffickers of their illegitimate profits also reasserts the principle that crime should not pay (Kruisbergen et al., 2016). In this regard, the underlying assumptions as to how follow-the-money approaches would impinge on organised crime itself centre around two basic mechanisms, namely the deterrence and disruption of criminal activity (Atkinson et al., 2017; Kruisbergen et al., 2016). The deterrent effect of confiscation, however, can be called into doubt (Atkinson et al., 2017). At this point, it is unclear whether upping the ante in terms of financial risk is actually deterring offenders and not just strengthening their resolve to avoid getting caught (Sittlington & Harvey, 2018). Besides, discouraging crime by denying perpetrators the possibility to enjoy their profits presupposes a level of rationality that does not necessarily correspond with reality. Weighing the benefits from criminal activities against the possible costs is, as a rule, a bounded and error-prone exercise. For example, the prospect of immediate gains often takes precedence over other concerns (Sittlington & Harvey, 2018). Social pressures and contextual factors, in addition to financial considerations, equally weigh on those decisions (Atkinson et al., 2017). As regards the disruptive impact of depriving offenders of their proceedings, although confiscation can be rather upsetting and damaging to one's bluster and bravado, in many instances it is not enough to force the individual or their criminal network out of business (Atkinson et al., 2017; Sittlington & Harvey, 2018). The relatively



low financial threshold associated with setting up a human trafficking ring implies that removing monetary resources is not always synonymous with rendering these criminal organisations inoperable (Raets & Janssens, 2018). Moreover, bearing in mind the significant amount of attrition that plagues pecuniary measures, recovered assets are a bad indicator of the wider degree of disruption to criminal activity (Sittlington & Harvey, 2018). From this perspective, the effectiveness of intercepting criminal revenue in tackling trafficking in human beings remains uncertain (Atkinson et al., 2017; Araujo & Belchior, 2012). It seems that success, either in disheartening or disempowering offenders, is very much dependent on the target of the intervention (Sittlington & Harvey, 2018). For this reason, an overly narrow focus on asset confiscation alone might mean that the outcomes of financial strategies may be found missing the mark (Slot et al., 2015).

### 5.3. MAINSTREAMING THE FINANCIAL APPROACH

Summarizing the above, the pattern of results effectuated by financial approaches does not quite match expectations. Overall, the implementation of financial strategies is still encountering major obstacles, the main impediments being an unduly restricted understanding of the purpose of asset-oriented measures, a lack of prioritisation in terms of financial backing and other resources as well as a dearth of field-specific expertise and experience (Slot et al., 2015; OSCE, 2014). That being said, traditional criminal interventions are not as potent without the accompaniment of pecuniary steps (Nicolae, 2018). Seeing that many members of human trafficking networks are often but replaceable cogs in the criminal wheel, individual prosecution is likely insufficient to accomplish the objectives of deterrence or disruption (Kilchling, 2014). At the same time, criminal investigations commonly fall short of implicating organisations in their entirety, often failing to reach the heads of human trafficking rings. In this regard, traditional legal proceedings hardly interfere with the ability of trafficking organisations to carry out their business (Atkinson et al., 2017). A key recommendation, therefore, is that every criminal investigation into suspected human trafficking activity should be complemented by a financial investigation (Oude Breuil et al., 2018; OSCE, 2014). The instrument of financial investigation generally holds most value when used as an investigative tool. Its operational worth principally lies in the building of cases, the developing of intelligence and the securing of convictions, rather than in the seizing of criminal assets (Slot et al., 2015). For that matter, financial enquiries are most advantageous when used in conjunction with other investigative methods (Brown, et al., 2012; Slot et al., 2015). On the whole, a dual strategy which twins criminal proceedings with asset-oriented measures should yield a more significant effect by delivering a double blow to trafficking offenders (Kilchling, 2014; Araujo & Belchior, 2012; Sittlington & Harvey, 2018). In this sense, the adoption of a financial approach to human trafficking ought to be embedded in a wider, comprehensive strategy which makes use of other forms of intervention (Bell, 2001; Atkinson et al., 2017). Furthermore,

financial enquiry bears relevance for all stages of the criminal investigation (Slot et al., 2015; Atkinson et al., 2017). Financial investigations should consequently be initiated as soon as practicable, as opposed to being used as a fall-back or last resort in cases where conventional investigative methods proved inadequate (Soudijn, 2014; Sittlington & Harvey, 2018; Wright, 2017).

Accordingly, following the money can be a dependable strategy when combined with classical methods of fact-finding (Slot et al., 2015; Wood, 2017). Financial approaches, for that reason, deserve serious consideration in dealing with human trafficking activity. However, as stated above, strategic plans will remain no more than empty words if they are not matched with the necessary resources and proper conditions to conduct financial enquiries (Slot et al., 2015). In other words, for proceeds-oriented approaches to be successful there needs to be full commitment both from legislators and frontline practitioners. Once involved, settling for half-measures is simply ineffectual (Wood, 2017). As human trafficking operations frequently transcend borders, so too does the need for clear and unequivocal policy commitment. In view of this, there is a shared EU responsibility in redressing the balance between member states and promoting a finance-minded law enforcement culture. In the interest of longer-term harmonisation, national strategies regarding the financial investigation of human trafficking and other organised crime activities should also be implemented in a more consistent and non-conflicting way across EU member states (Slot et al., 2015).

As a general principle, the exchange of experiences and good practices between countries throughout the EU is vital in developing a results-oriented policy. Other initiatives, carrying potentially transferable insights, can serve as a source of inspiration for improved, and possibly more effective, solutions. To that end, a number of lessons can be drawn from the knowledge gained in different European countries through the real-world application of a financial approach to trafficking in persons. First of all, a very well-thought-of strategy concerns the Dutch integrated approach (Oude Breuil et al., 2018). As affirmed by the multidisciplinary manners of working adopted in other countries (Antonopoulos, 2018; Raets & Janssens, 2018), inter-agency platforms, spanning public-private partnerships as well as other inter-sectoral forms of cooperation, can act as a conduit for the incorporation of a financial perspective into regular criminal investigations (Slot et al., 2015; OSCE, 2014; FATF-APG, 2018). Above all else, human trafficking is a multi-faceted crime that bears upon a diverse range of disciplines and sectors and, in this vein, calls for joined-up thinking. Inter-agency collaboration and coordination, alongside information sharing among those partners seeking to address this offence, can thus be considered as a requisite for the fruitful deployment of asset-focussed measures (Keatinge & Barry, 2017; Lalam, 2018; FATF-APG, 2018). Ideally, partnerships are not formed purely on an ad-hoc or impromptu basis. Rather, in order to maximise the effectiveness of collaborative efforts, cooperation should be approached in a much more structured manner. With that end in view, the J-CAT model, a collaborative platform designed with the intention to forge successful interconnections and alliances across multiple borders and to facilitate the

coordination of international cybercrime investigations between different partners, could prove inspiring (Reitano et al., 2015).

To reiterate one of the points above, human trafficking perforates the legal economy in a variety of ways (Shelley & Bain, 2015). Over and above financial strategies, the possibility of uprooting these critical points of intersection, and in so doing effectively disrupting criminal networks, brings us to another frontier of the current fight against trafficking in human beings (Roudaut, 2011). The administrative approach towards organised crime, which generally hinges on the screening of prospective licensees and the ability to refuse or withdraw permits when confronted with mala fide undertakings, seems to be an opportune, alternative strategy to target the business-side of trafficking operations (Aronowitz et al., 2010; Bell, 2001). In addition to local administrations and municipalities, another possible partner in the fight against trafficking finances can be found in tax authorities. Taxing away illegal profits, also known as the 'Al Capone approach', answers the purpose of intensifying asset recovery (Kilchling, 2014; Sproat, 2012). In this connection, the ability to demonstrate the existence of unexplained wealth in cases where it has not been possible to prove a direct connection with criminal activity would appear to provide a noteworthy window of opportunity with regard to the skimming of criminal proceeds (Brown, 2013).

In other aspects, the advancement of both specialist and generalist training can be considered as an evident good practice within the framework of financial approaches (FATF-APG, 2018). Essentially, for financial investigations to be conventionalised, all criminal investigators should have a basic understanding of financial methods (Slot et al., 2015; Golobinek, 2006). Conversely, specialist financial knowledge should be broadened to include the modes of operation in human trafficking rings, for the clear reason that criminal finances and criminal workings are inextricably bound up with each other (Atkinson et al., 2017). On top of training front-line investigators, developing a sense of knowledgeable-ness in prosecutors and judges with respect to financial matters is just as essential in bringing financial investigations into the mainstream. Generally speaking, the implementation of finance-oriented strategies benefits from a competency-driven approach to building investigative teams, and especially from the cultivation of specialised in-house expertise (Slot et al., 2015). Above and beyond the augmentation of expert knowledge, it is also desirable to foster a robust financial culture in the criminal justice system (Lalam, 2018; Soudijn, 2014; Wood, 2017). Consolidating the use of financial investigation thus requires modifying and expanding current law enforcement customs and working methods (Slot et al., 2015).

A distinct area of interest is the promotion of proactive financial investigations (Slot et al., 2015). Financial transactions are, in effect, a point of vulnerability in the chain of criminal logistics, as certain patterns of suspicious activity can be recognised (Finance Against Trafficking, 2014; Wood, 2017). As follows, by identifying patterns and establishing subsequent red flags, one should be able to identify instances of human trafficking (Shelley & Bain, 2015). To this extent, financial institutions find themselves in a unique position when it comes to spotting worrying signs

in transaction activity and disclosing them to law enforcement agencies (Finance Against Trafficking, 2014). Having the built-in capacity to monitor transactions as well as the necessary analytic capabilities, financial institutions hold the means to produce more elaborated evidence, which could add impetus to trafficking-related prosecutions (van Dijk et al., 2018). On a related note, the proactive and critical observation of financial transactions is also relevant with respect to the possibility of beginning investigations on the suspicion of money laundering, whereby the offence of money laundering is to be regarded as an anchoring point for financial and other investigative measures (Antonopoulos, 2018; Slot et al., 2015; Kilchling, 2014). At any rate, in order to make sense of the conundrum of financial dealings, technological solutions play an important role in filtering and analysing the vast pool of transaction data (Demetis, 2018; Slot et al., 2015). Moreover, through technological advancements such as big data approaches, data mining techniques and predictive analytics, it would be possible to string together transacting behaviour with lifestyle and criminal behaviour in an effort to uncover trends and noticeable patterns in trafficking activity (Demetis, 2018). However, the technological tools currently available to criminal and financial investigators are usually less sophisticated. As financial crimes are increasingly linked with innovative ideas and methods, it is nevertheless crucial to keep up with offenders in terms of technological capabilities (Slot et al., 2015; see also FATF-APG, 2018). After all, trafficking in human beings is a notoriously adaptive criminal trade, rendering alertness towards changing trends vitally important (Keatinge & Barry, 2017).

Lastly, while our understanding of the financial aspects of human trafficking has certainly been improved, the subject is far from fully clarified. Even so, profiling the expenses and proceeds associated with trafficking activity constitutes an important first step in identifying and tracking the monetary flows from trafficking operations. Further research into the criminal *modus operandi* and the financial movements underlying the predicate crime with a view to expanding the current level of knowledge is, in other words, indispensable (FATF-APG, 2018). On these grounds, the issues of criminal financing and the management of criminal proceeds should become part and parcel of the study and analysis of the organisation of trafficking in human beings, both with regard to academia and law enforcement (Levi, 2015). Ultimately, more than the proverbial lifeblood of criminal organisations, finances make for an enlightening prism through which to view the crime of human trafficking (Kopp, 2012).



## IMPLICATIONS FOR POLICY

As the current analysis demonstrates, human trafficking – besides being a heinous crime – is also an important criminal market which generates substantial profits. The related costs of and profits from human trafficking vary substantially depending on the form of trafficking (labour or sexual), the modus operandi of perpetrators, the countries of origin and destination of victims, as well as the market sector or segment in which the victims are exploited. The criminal actors involved vary substantially with regard to the sophistication of their organisation. Generally, the market is dominated by sole “players,” small-to-medium (often family-based) organisations, and loosely structured networks, whereas highly organised, hierarchical groups are rather the exception. The number of victims under the control of a single trafficker also differs but rarely goes beyond ten. Indeed, both independent traffickers and those operating as part of a network often prefer to keep operations relatively circumscribed, with a view of reducing upkeep costs and avoiding law enforcement attention.

On the other hand, the current research partly refutes the general perception that the costs for entering the business are very low. Low entry costs apply mostly to domestic and intra-Community trafficking in the EU and in cases where perpetrators control one to three victims. A typical example are lover-boys exploiting one or two victims in prostitution, wherein they work either outdoors or in the lower segments of in-door prostitution and acquire customers online. Costs might be particularly high with regard to victims that have to cover large distances to get to the country of exploitation. In such cases, beyond paying for transportation costs, there are added expenses such as corruption payments to officials, securing counterfeit or forged documentation, and sometimes even ransom costs. Despite the fact that these expenses are usually imposed as a debt onto the victim and, subsequently, are more or less quickly recovered by the traffickers, the money nevertheless needs to be advanced by them in order to ensure that victims can reach the destination. In addition, extra start-up costs can be required, especially in prostitution markets, if traffickers want to pursue more profitable locations, which guarantee steady and higher revenue. Notably, criminal entrepreneurs investing in brothels or other sex venues need to raise substantial start-up capital, which – depending on the country where they invest – may require from tens of thousands to several hundred thousand euros.

The analysis of cost structure for different trafficking actors also reveals some important insights. Apparently, trafficking for labour exploitation is less demanding than sexual exploitation in terms of market entry threshold and operational costs, along with lower risks of detection and criminal sanctions. Traffickers operating within the EU – such as Bulgarian and Romanian criminal entrepreneurs and domestic traffickers – have



the competitive advantage of low transportation costs and absence of visa and labour restrictions. With regard to trafficking for sexual exploitation this has an obvious impact on their business models. Thus, East European traffickers tend to spend money for acquiring access to more lucrative locations such as red light windows, brothels, and massage parlours and in the end generate higher profits. Conversely, for Nigerian, Latin American, and Chinese networks costs for transportation and obtaining travel and residence documents seem to dominate their expenses. Therefore, they tend to exploit victims either outdoor or via online soliciting of clients, which provides for lower operational costs, but also generate less revenue.

The observed differences in cost structure and cost-benefit ratios are part of the explanation why East European countries such as Bulgaria and Romania still remain among the top countries of origin of victims, despite having much smaller population than Nigeria or China. These differences also offer insights into the preferred modus operandi of traffickers in terms of exerting control. As East Europeans enjoy lower start-up costs and relatively higher revenue, they more often rely on building business-like relations with sex workers, wherein they would secure more profitable locations and share part of the revenue with the victims. The geographical proximity of Western Europe and the free movement of people practically render controlling routes of migration obsolete, so East European traffickers rather focus on controlling access to profitable locations. Conversely, the high transportation costs, entry, labour, and residence restrictions for third country nationals make control over routes of migration a primary asset of traffickers from China and Nigeria. Arguably, this provides a possible explanation why traffickers from Africa and Asia more often rely on debt bondage and tend to withhold all or the bulk of the earnings of their victims. The above arguments are also largely applicable both to cases of trafficking for sexual and labour exploitation.

Settlement of payments in human trafficking remains largely cash based, especially in the case of trafficking for sexual exploitation. This is true for practically all types of transactions in cases related to sexual exploitation – between customer and sex worker, sex worker and trafficker, between different participants in trafficking networks, and between traffickers and any intermediaries. Less frequently, payments might be made in kind to intermediaries and associates, or customers might pay through credits cards under the pretext of paying for other services (e.g. massage). Bank transfers are generally avoided, except for some remittances abroad. In the case of labour trafficking settlement of payments depends on the cash-intensity of the sector which the workers are exploited in. But even in sectors in which bank transfers are the norm, usually workers' accounts are controlled by traffickers and their wages are immediately withdrawn in cash.

In terms of the money laundering techniques, the current analysis shows that these are mostly rudimentary. Most traffickers use the bulk of the proceeds to sustain a lavish lifestyle and spend profits on luxury goods, partying, vacations etc. When there is a surplus, it is often invested

into real estate and expensive vehicles. More sophisticated trafficking networks, which retain larger portions of the profit also invest in different cash intensive businesses in home countries, choosing predominantly the hospitality sector. These businesses can serve to expand the trafficking by identifying and recruiting new victims, obscuring trafficking operations behind the ostensible provision of other services, and facilitating the further laundering of profits. Proceeds are also used to cover the running costs of the trafficking operation and may sometimes be channelled to an expansion of the business. A notable recent trend for East European traffickers are investments for acquiring or long-term renting of adult clubs and other sex venues in the destination countries. However, the data indicates that investment into other illicit enterprises is rare.

Traffickers operating abroad tend to transfer all profit surpluses from the destination to their country of origin. Transportation of cash is a particularly popular method, carried out either by the traffickers themselves, victims, associates or money couriers. Money transfer companies are also used, although the recent trends rather indicate that traffickers resort to them less often due to the easy traceability of transactions. In order to minimise risks of detection and hinder any possible investigations, the money is first broken down into smaller sums and then transferred not by traffickers but by others, i.e. victims, associates, friends, family or intermediaries. Bank transfers are generally avoided and in case they are employed, similar risk minimisation techniques are used. Some traffickers also employ one or more shell companies to facilitate money laundry. Alternatively, a trade-based money laundering technique might be used with goods being purchased in the country of exploitation and subsequently resold in the country of origin of traffickers. Trafficking networks from Asia and Africa also widely employ hawala or similar informal value transfer systems to move their proceeds from the countries where they exploit the victims to their home countries. In this case money does not cross borders physically and the transactions are based on established relations of trust among the participants in the hawala network.

The internet is used in numerous ways to facilitate human trafficking. On the one hand, recruitment can be carried out online or supplemented through online communication. In the case of the trafficking for sexual exploitation, the internet also presents a useful platform for advertising the services offered by the victims and is actively used by both organised criminal groups and independent traffickers. In addition, the internet can present an additional medium of control over victims, whose communication and agreements with clients can be monitored. On the other hand, it allows independent traffickers and sex workers to operate and acquire customers without having to pay for costly work spaces. Thus, the internet generally represents a cost-effective way to initiate, facilitate or even sustain a trafficking operation. The downside of the new technologies is heightened visibility, hence a higher risk of detection and apprehension by law enforcement authorities, as well as increased vulnerability to rivals.

The biggest change that new technologies and the internet have brought, especially in the case of trafficking for sexual exploitation, is that they

have put sole players and more sophisticated organisations on equal footing. But the effect is not straightforward. On the one hand, low market entry costs and easier access to clients via the internet for selling sex services imminently increase competition and put downward pressure on prices and revenues of all market actors. On the other, a more competitive market and the language barrier incline some criminal operators to adhere to traditional business models which rely on high turnover locations that guarantee a steady flow of customers.

In terms of investigation, the **follow-the-money approach** with regard to crime more generally and trafficking in human beings in particular, **is recognised as essential on the national, EU, and international levels**. Nevertheless, the degree to which financial investigations are undertaken and their success varies substantially among countries. As the present analysis demonstrates, significant impediments remain, which hinder investigation of THB and related financial flows. Since payments in trafficking are mostly made in cash, much of money is spent immediately or transported outside of destination countries in cash. Thus, the lack of a paper trail can be a significant impediment in ascertaining and confiscating proceeds. Similarly, while the proactive approach to investigation of human trafficking should be prioritised, lack of victim cooperation can still impede investigations. With regard to labour trafficking there is an added difficulty in distinguishing the offence from other labour infractions, which often is due to vague or narrow definition of labour trafficking applied in many national legislative frameworks. Most often lack of sufficient expertise and necessary tools for analysis of financial data hinder the investigation of financial flows. Limited capacity to conduct financial investigations and lack of prioritisation of financial aspects are also problematic in many of the countries covered in the current study. Nevertheless, especially for destination countries, various difficulties in international cooperation are perhaps the main obstacle. The latter is particularly the case for countries from sub-Saharan Africa and Asia.

The analysis revealed that many European countries still have many deficits with regard to financial investigations of trafficking in human beings. There are some general recommendations that are relevant to all forms of trafficking regardless of the modus operandi or nationality of traffickers. Thus the following actions can strengthen the prosecution of THB and the confiscation of related financial flows:

- **Improve capacity to investigate financial flows.** Recruiting and training additional financial investigators is key to supporting the investigation of financial flows in a number of EU countries. These financial specialists can be embedded within specialised human trafficking units, allowing the two investigations streams to run in parallel, to have the financial expertise in-house as well as to develop specific financial expertise on proceeds generated by human trafficking. Alternatively, if financial specialists are part of separate units, a better coordination with officers working on predicate offences needs to be fostered. In addition, tools facilitating the analysis of financial data need to be developed and respective officers trained to work with them.

- **Prioritise financial investigations and undertake them together with investigations of the predicate offence.** Another important step is to raise awareness and underscore the importance of financial aspects in investigating the predicate offence, as financial flows allow to better map and understand the trafficking networks, especially if this is done at an early stage. Prioritising the financial investigations is particularly important with regard to trafficking where organised crime is suspected, as the profits will likely be large enough to make a parallel investigation worthwhile.
- **Develop and adopt methodologies for calculation of perpetrator's proceeds as part of financial investigations.** Calculation of the illicit proceeds of perpetrators would allow better guiding of asset tracing and improving the outcome of asset recovery. A good example in this regard is the Dutch model for financial investigations, where this approach is widely applied. In this regard victims are particularly important witnesses, who besides filing claims against their traffickers, can provide important information about the financial side of the business. Certainly, while the success of the investigation should not hinge on victim testimonies, it is important that they (and their families, if necessary) are afforded sufficient support and protection in both the destination and countries of origin.
- **Improve knowledge of labour trafficking and harmonise definitions adopted across European Union.** In order to improve investigation of human trafficking for labour exploitation, better cooperation is needed between labour inspectorates and police forces. Furthermore, both labour inspectors and police officers need to be trained to recognise red flags and to distinguish the offence from other less serious labour infractions. There is also a need to harmonise definitions adopted on the national level in order to streamline police and judicial cooperation in cross-border investigations.
- **Improve knowledge on the role of ICT in all forms of human trafficking.** Training should be provided on the modalities of use of ICT technologies and their role in different trafficking arrangements, allowing police to monitor more effectively websites, applications, and other relevant technologies in the investigation of trafficking cases.

The analysis of the financial models of different trafficking actors also suggests that more targeted approaches are needed in order to be more effective in tackling perpetrators by raising the costs and risks for them. Apparently, in the last few years the cost of smuggling of persons from sub-Saharan Africa has substantially decreased and, as a result, trafficking of Nigerian citizens is also flourishing. In this regard, **measures to strengthen border and immigration control** will likely have a most significant impact on Nigerian criminal organisations.

The other major issue in countering traffickers from third countries (African, Asian, Latin American) is international cooperation in police and judicial matters. Human trafficking is a crime which often involves an international element, with either victims, traffickers or both coming from countries other than the destination, where the exploitation takes place. Thus, **strengthening international cooperation** can make a big difference. Currently, cross-border investigations involving third countries often halt

or fall apart because of issues such as slow procedures, divergence in applicable regulations (including with regard to asset confiscation) or because of practical impediments such as translation issues. Developing and nurturing more durable ties of operational police cooperation with key third countries of origin will allow for more effective investigation and prosecution of cross-border THB cases.

A more active use of EU tools such as JITs is largely praised in all countries studied, as is the support and coordination provided by Eurojust and Europol, despite the fact that certain issues remain. However, judging from the business and financial models for intra-community trafficking in the EU, more significant impact on perpetrators from other EU countries such as Bulgaria and Romania could be expected if interventions are focused on the exploitation phase. In this regard, the **administrative approach towards serious and organised crime** employed in the Netherlands and Belgium seems particularly promising. Targeted and well-coordinated administrative measures implemented by local authorities, labour inspectorates, and tax authorities can help raise costs and risk for traffickers and thus narrow down illicit market opportunities.

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# **COUNTRY REPORTS**





# FINANCING OF TRAFFICKING IN HUMAN BEINGS IN BELGIUM

In the early 1990s, a scandalous story about what became known as the Belgian Billionaire Gang running one of the biggest women trafficking rings in Western Europe (De Stoop, 1992) roused the nation. The ensuing public outrage promptly gave rise to a parliamentary committee of inquiry, set with the task of scrutinising the prevalent criminal policy on trafficking in persons (BE-E2; BE-E5) (Boels & Ponsaers, 2011). The multidisciplinary policy direction that to date typifies the Belgian response to the issue of human trafficking has its origin in the work of this committee of inquiry (BE-E2). On account of this early awareness of the issue, Belgium has taken on a pioneering role in dealing with this transgression (Boels & Ponsaers, 2011).

Following the law of 13 April 1995 on trafficking in human beings (THB), the legal framework on this type of misconduct has gone through a number of developments (DSB, 2015; GRETA, 2016). Contrary to the definition introduced by the UN Palermo Protocol (Efrat, 2016), the method of operation is not part of the Belgian delineation of human trafficking. Only the act and intent of exploitation are constituent elements of the crime, whereas the means of exploitation are considered as an aggravating factor (CGKRB, 2011). Using a relatively open concept in preference to an exhaustive list of illicit behaviours, the Belgian definition of human trafficking hinges on the exploitation itself rather than on the methods of exploitation (GRETA, 2016). Another point of divergence is the demarcation of labour exploitation. Labour exploitation is defined in a much broader sense than the term "forced labour," as labour exploitation is described in terms of working below the level of human dignity (GRETA, 2016; Leman & Janssens, 2015). As a matter of course, the qualification of inhumane circumstances leaves a broad margin of interpretation (CGKRB, 2011). Consequently, the distinction between bad employment practices and labour exploitation is at times far from clear-cut (de Jager, Hassani, & Pennings, 2016). Similarly, seeing that prostitution offences are generally de facto tolerated, an ambivalent legal situation is intrinsic to the matter of sexual exploitation as well (BE-E6; BE-E13).

As mentioned before, Belgium has broken ground in terms of implementing a multidisciplinary approach towards trafficking in persons (BE-E2; BE-E5) (OSCE, 2013). As a general rule, sexual exploitation is handled by the public prosecutor and the police forces. Conversely, the social inspection services and the labour prosecutor, a specialised branch of the public prosecution office, cover labour exploitation cases (BE-E2; BE-E3; BE-E11; BE-E13). As follows, social and labour inspectorates play an important role in tackling the issue of human trafficking, notably because they carry far-reaching investigative powers and significant expertise and experience

in this matter (de Jager et al., 2016; Leman & Janssens, 2015). The substantial involvement of these actors is indicative of Belgium's distinct focus on labour exploitation (BE-E2; BE-E5). Going beyond pure law enforcement, a noteworthy materialisation of Belgium's multidisciplinary approach is the Interdepartmental Coordination Cell embracing all actors involved in the fight against trafficking in persons, which is entrusted with the coordination of the policy on human trafficking (DSB, 2015).

Belgium is primarily known as a destination country and, to a lesser extent, as a transit country for human trafficking operations (Akee et al., 2014). As a source country, Belgium plays a minimal part (Shelley, 2010), but on the whole is widely regarded as one of the most targeted countries by human traffickers (Balarezo, 2013; Europol, 2016). Conversely, Belgium also stands among the countries taking most action against human trafficking (Walk Free Foundation, 2016).

Trafficking in persons is an issue that has been brought into focus over twenty years ago, yet our understanding of the subject is far from complete. One facet that has been largely neglected is the financial dimension of human trafficking operations. In response to this knowledge gap, the present research report explores the financial management of trafficking in human beings in Belgium on the basis of a literature review, a document analysis of the human trafficking cases described by the Federal Migration Centre, which functions as the National Reporter on trafficking in human beings for Belgium, and face-to-face interviews with both professionals who are well-informed on the subject of trafficking in persons and perpetrators convicted of trafficking offences.<sup>1</sup> As regards the latter method, respondents were selected with a view to reflecting the diversity of the frontline practitioners, who are confronted with human trafficking cases on a day-to-day basis. The interviews were conducted by aid of a standardized interview protocol and subsequently analysed using computer-assisted qualitative data analysis software.

## 1. MARKET OVERVIEW

Like most forms of organised crime, trafficking in human beings crops up against a backdrop of envisioned profitability (Petrunov, 2011; Wheaton et al., 2010). To illustrate this point, the federal judicial police has estimated that the proceeds of human trafficking in Belgium writ large amount to nearly a billion euros per year (Delepière et al., 2013). In a related manner, sexual exploitation is deeply rooted in the sex industry, which has an estimated overall value of between €617 and €688 million (Adriaenssens et al., 2015). Labour exploitation, on the other hand, is intrinsic to a wide variety of economic sectors. Table 1

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<sup>1</sup> The sources have been coded in order to preserve their anonymity. The first two letters of the code indicate the country, "E" indicates an expert, while "C" means criminal entrepreneur. The description of the background of the individual sources referenced can be found in the list of interviewees in the references section.

indicates the most prominent sectors uncovered by the social inspection services in Belgium. Generally, industries that are on the nether side of the so called “three Ds” touchstone, meaning they involve work that is dirty, difficult, or dangerous, and industries that are less regulated are more exposed to labour exploitation (Davies, 2017; Europol, 2017). The sectors most serviceable for the purpose of exploitation are the logistics business (e.g. transportation), labour intensive businesses (e.g. agriculture), and the hospitality, entertainment, services, and retail sector (e.g. menial work) (Finance Against Trafficking, 2014). Having said that, labour exploitation is virtually ubiquitous in the licit economy (ILO, 2014; Kara, 2011). Consequently, labour trafficking manifests itself in many different ways (Efrat, 2016).

**TABLE 1. NUMBER OF INITIAL RECORDED REPORTS OF TRAFFICKING IN HUMAN BEINGS IN BELGIUM IN 2016 BY ECONOMIC SECTOR**

Sector	Number of reports
Hospitality/Horeca	9
Construction	5
Service stations	5
Retail	5
Domestic help	2
Cleaning services	1
Wholesale	1
Other	4
<b>Total</b>	<b>32</b>

Source: Myria (2017).

By the same token, a number of business sectors are highly functional for the commission of human trafficking offences. Generally speaking, the ties between the human trafficking business and the legitimate market are wide-ranging (Bravo, 2008; Parmentier, 2010). This nexus between the shadow and legitimate economy reflects a general trend of increasing proximity between organised crime operations and legal business structures (Savona & Riccardi, 2015; Van Duyne, 1993, 1993b). As for the purpose of this proximity, legitimate ventures provide the means for the fabrication of a legal façade (Aronowitz et al., 2010). By definition, corporate

structures are utilized more in labour trafficking than in sex trafficking operations<sup>2</sup> (BE-E1). Tucking away criminal activities within a legal business scheme by dint of opaque, non-transparent corporate structures and empty shell or fictitious companies is a common practice in the human trafficking industry (BE-E2; BE-E5; BE-E7; BE-E9; BE-E10). As a consequence, human trafficking operations routinely cut across the divide between upper world and underground economy, blending the boundary between legal and illegal ventures (Europol, 2015). As such, a strict distinction between *mala fide* and *bona fide* entrepreneurship is at variance with the brass tacks of the trafficking business (BE-E5). In addition to harbouring human trafficking activities, legal business structures facilitate various aspects of the criminal process, such as transportation and money laundering (Aronowitz et al., 2010; Finance Against Trafficking, 2014; Leman & Janssens, 2015).

<sup>2</sup> Although there are legal establishments in which sexual and labour exploitation of women takes place simultaneously.

As follows, human trafficking operations mostly hide in plain sight or, in rare instances such as household service, are fully sequestered (Bravo, 2008). The masking of exploitative practices, among other things, renders detecting and identifying human trafficking cases notoriously difficult (DSB, 2015; Kleemans & Smit, 2014). Seeing that human trafficking is a gravely underreported phenomenon (Goodey, 2008; Guia, 2015), any claims regarding the incidence of trafficking in human beings cannot be substantiated (Kopp, 2012; Parmentier, 2010; Weitzer, 2014a). Consequently, the figures presented hereafter are more suggestive of law enforcement activity than they reflect criminal activity (Kleemans & Smit, 2014; Levi et al., 2013). As Table 2 reveals, the number of human trafficking offences identified by Belgian police forces has steadily decreased over the last few years. About two thirds of these registered infractions relate to sexual exploitation, whereas labour exploitation makes up roughly one third of all recorded infringements. The UNODC (2016) has reported similar findings among registered victims. This is in stark contrast to the assertion made by Europol (2016) that a striking 90% of organised crime networks associated with human trafficking activities are involved in sexual exploitation. Accordingly, estimates regarding the type of human trafficking that is most prevalent are manifestly conflicting (Weitzer, 2014a). As territory is of very little concern in the human trafficking business (BE-E4) (Kopp, 2012), the reports on human trafficking cases do not point to the presence of hotspots, with the exception of certain forms of prostitution (Levitt & Venkatesh, 2007; Mancuso, 2014). For instance, window prostitution is limited to certain areas (Adriaenssens et al., 2015), which can spark a power struggle between competing crime groups over those vice districts (BE-E11).

**TABLE 2. NUMBER OF TRAFFICKING IN HUMAN BEINGS INFRACTIONS, ORGANIZED BY TYPE OF EXPLOITATION IN BELGIUM, 2012 – 2016**

Year	2012	2013	2014	2015	2016
Sexual exploitation	466	586	460	467	396
Economic exploitation	321	273	166	160	168
Forced begging	44	33	38	33	13
Forced criminality	13	14	15	9	11
Organ harvesting	1	1	1	0	1
<b>Total</b>	<b>845</b>	<b>907</b>	<b>680</b>	<b>669</b>	<b>589</b>

Source: Myria (2017).

Whereas the number of reported infractions has dwindled, Table 3 shows that the number of convictions is clearly on the rise. In fact, Belgium has a relatively high number of convictions in comparison to other countries (DSB, 2015). Consistent with international findings (Eurostat, 2015; UNODC, 2016), one in five persons convicted of human trafficking offences in Belgium is a woman. The involvement of women

in the human trafficking trade is thus comparatively large (Kleemans & Smit, 2014). The gendered dimension of trafficking in human beings is particularly pervasive with respect to the victims of exploitation (Guia, 2015; Hughes, 2014; Shelley, 2010), as illustrated by Table 4. In essence, the greater part of victims of sexual exploitation are female, whereas victims of labour exploitation are predominantly male (Eurostat, 2015). As regards sexual exploitation, the registered victims are scattered across different age categories. Labour exploitation, on the other hand, seems to affect an older target group. On the whole, minors appear to be an exception among registered victims (Eurostat, 2015).

**TABLE 3. NUMBER OF CONVICTIONS FOR HUMAN TRAFFICKING OFFENCES IN BELGIUM, ORGANIZED BY GENDER, 2009 – 2016**

Gender	2016	2015	2014	2013	2012	2011	2010	2009
Unknown	2	5	5	6	7	2	2	0
Male	111	75	76	71	59	59	63	37
Female	28	20	21	14	17	23	19	10
<b>Total</b>	<b>141</b>	<b>100</b>	<b>102</b>	<b>91</b>	<b>83</b>	<b>84</b>	<b>84</b>	<b>47</b>

Source: DSB (2017).

**TABLE 4. NUMBER OF REGISTERED VICTIMS OF HUMAN TRAFFICKING IN BELGIUM, ORGANIZED BY GENDER, AGE AND TYPE OF EXPLOITATION, 2013 – 2016**

Total	Sexual exploitation				Labour exploitation				Other exploitation				Total			
	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
<18	4	1	5	4	0	1	3	2	0	3	6	0	4	5	14	6
18-25	15	19	22	23	19	18	9	9	0	1	1	2	34	38	32	34
26-30	8	12	7	7	13	26	6	13	0	0	0	3	21	38	13	23
>30	10	11	10	14	47	41	43	38	0	5	5	4	57	57	58	56
<b>Total</b>	<b>37</b>	<b>43</b>	<b>44</b>	<b>48</b>	<b>79</b>	<b>86</b>	<b>61</b>	<b>62</b>	<b>0</b>	<b>9</b>	<b>12</b>	<b>9</b>	<b>116</b>	<b>138</b>	<b>117</b>	<b>119</b>
Male	1	5	2	0	67	74	52	51	0	5	9	8	68	84	63	59
Female	36	38	42	48	12	12	9	11	0	4	3	1	48	54	54	60

Source: Myria (2017).

Aside from a distinctive gender profile, human traffickers make for a diversified group in many other respects (Viukho, 2017). Perpetrators of human trafficking offences range from the very rich (BE-E2; BE-E8; BE-E10) down to the very poor (BE-E2; BE-E4; BE-E8). Strictly speaking, those who know their way around the sex trade (BE-E6) or any other implicated sector are in the capacity to take advantage of their pre-existing knowledge,



**TABLE 5. TOP 10 OF THE MOST IMPORTANT NATIONALITIES OF PERSONS CONVICTED FOR HUMAN TRAFFICKING OFFENCES IN BELGIUM IN 2016**

Nationality	Number of convicted persons
Belgium	37
Romania	11
Unknown/unregistered	8
Albania	8
Bulgaria	8
France	6
The Netherlands	6
China	5
Portugal	4
United Kingdom	3
Other	29
<b>Total</b>	<b>125</b>

Source: Myria (2017).

contacts, or even resources. A case in point is the involvement of business operators with a military, state security, or law enforcement background in human trafficking operations (BE-E13) (Leman & Janssens, 2015; Shelley, 2010). Moving individuals from point A to point B in order to exploit them at their journey's end is the sum and substance of any human trafficking operation (Efrat, 2016; Kleemans & Smit, 2014). As a result, the human trafficking business relies on people who are capable of bridging the gap between a certain country of origin and the country of destination (BE-E13) (Kleemans, 2012). In essence, members of certain diaspora communities are in a position to capitalize on their transnational connections by means of human trafficking schemes (Arhin, 2016; Shelley,

2010). Nationality is thus an important connecting thread in the phenomenon of trafficking in human beings. In this respect, Table 5 reveals a variegated picture of perpetrators of human trafficking. EU-nationals, by and large, make up the greater part of human trafficking offenders (Europol, 2016; Eurostat, 2015; Savona & Riccardi, 2015; UNODC, 2016; Walk Free Foundation, 2016). In addition, the main organised crime groups implicated in human trafficking activities are east European, Nigerian and Chinese networks (Europol, 2016; OSCE, 2013; Savona & Riccardi, 2015). In sum, human traffickers are part of a remarkably heterogeneous whole (Aronowitz, 2009; Feingold, 2005). Attempting to delineate a profile would therefore negate the vast diversity of human trafficking operations (Weitzer, 2014a).

## 2. MARKET STRUCTURE AND SOCIAL ORGANISATION OF TRAFFICKING NETWORKS

Much like the profile of human traffickers, the level of organisation in human trafficking operations varies widely (Aronowitz, 2001). Human trafficking rings are largely part of a continuum ranging from single perpetrators over loose, self-supporting networks to complex, multinational conglomerates (Aronowitz et al., 2010; Campana, 2015; Kleemans & Smit, 2014). As the logistics for trafficking in persons are fairly straightforward, there is no need for the instalment of a

colossal organised crime syndicate (BE-E15) (Bruinsma & Bernasco, 2004; Tripp & McMahon-Howard, 2016). Alternatively, groups formed on an ad hoc basis (BE-E4) (Kopp, 2012), networks built on familial or clan ties (Europol, 2015; OSCE, 2013) (BE-C2; BE-C3) or even one-man operations (BE-C1) seem to get the job done without the encumbrance of a monolithic corporate structure. In essence, human trafficking operations are generally more organised in terms of their activities than they are organised in terms of structure (Leman & Janssens, 2008; Tripp & McMahon-Howard, 2016). Human trafficking operations can thus be surprisingly disorganised (Feingold, 2005). At any rate, less organised does not necessarily mean less serious (BE-E2; BE-E9; BE-E10). On the whole, human trafficking operations tend to be rather small scale. That is, exponentially increasing the volume of trafficked persons poses the network for the organisational challenge of effectively monitoring this mass of people. Consequently, economies of scale are practically non-existent in the human trafficking business (Campana, 2015). Moreover, it is in the interest of criminal entrepreneurs to curb the number of associates who have compromising knowledge of the criminal undertaking as to keep the lid on the whole trafficking operation (Schloenhardt, 1999; Van Duyne et al., 2007). Not only are trafficking networks typically limited in size (Bruinsma & Bernasco, 2004; Kopp, 2012), these organisations are further marked by their flexible structure (Aronowitz, 2001; Europol, 2016). The decentralized business structure of human trafficking groups reminds one, perhaps unsurprisingly, of the loosely tied business structure of human smuggling rings (BE-E5) (Europol, 2016). This high degree of decentralization and flexibility allows for the continuous optimisation of their business model (BE-E13). By their very nature, human trafficking networks are learning organisations, able and willing to adapt their business to ever-changing circumstances (Aronowitz et al., 2010; Leman & Janssens, 2008). Those who fail to do so are inevitably headed for failure.

As mentioned before, the arrangement of relations between the different nodes of a human trafficking operation favours functionality over unduly complicated forms of organisation. Depending on the nationality and size of the group, some networks bear great resemblance to a pyramidal organisation structure (BE-E4; BE-E5). Human trafficking operations often incorporate a rudimentary form of hierarchy, which is essentially a crystallization of any present division of roles (Aronowitz, 2001). Central to the human trafficking business structure is the creation of an intermediate level between the organizers and the victims of exploitation (BE-E10) (Leman & Janssens, 2015). In larger, multinational organisations, this principle takes the form of a management unit and smaller, specialised subunits (Aronowitz et al., 2010). Notwithstanding the wide variety of human trafficking operations and the wide variety of actors involved (Vermeulen et al., 2010), a number of roles seem to be inherent to the trafficking trade. At the top are the organisers or coordinators, who function as the brain of the human trafficking operation (BE-E4; BE-E5; BE-E10; BE-E12). Organizers are assisted by their right-hand men, also known as lieutenants (BE-E4) (Leman & Janssens, 2015). Business operators (Wheaton et al., 2010) tasked with the day-to-day management of human trafficking activities can fulfil a variety of functions, including the roles of

recruiter (BE-E7; BE-E10; BE-E11), transporter (BE-E6; BE-E7), and enforcer or supervisor (BE-E12; BE-E13). Women often play a special part in human trafficking schemes. One notable example is the role of *dame de compagnie* or big sister companion (BE-E1; BE-E5; BE-E7), who serves as an intermediary between the victim and the exploiter (Leman & Janssens, 2015). Supplementary to the roles fulfilled by the core group, certain tasks that require specific knowledge or skills can be outsourced to service providers or facilitators (Leman & Janssens, 2008; Soudijn, 2014; Tjihuis, 2006). Notable examples are accountants (BE-E1; BE-E3; BE-E5; BE-E11), employment agencies (BE-E1; BE-E13) (BE-C2), and professional money launderers (BE-E3; BE-E5).

As regards the workings of human trafficking operations, trafficking in persons unfolds itself as a cycle of actions rather than a single offence (Guia, 2015). The process of human trafficking spans the consecutive phases of recruitment, transportation, and exploitation (Aronowitz et al., 2010; Salt & Stein, 1997). Before anything else, one needs to find people that are going to fuel the trafficking business (BE-E10; BE-10). To this end, a prospective workforce is round up, in most cases through traditional forms of recruitment (BE-E10) such as classified ads or word-of-mouth marketing (BE-E4; BE-E11; BE-E13). Recruitment almost always involves a certain level of deceit (Shelley, 2010). Most are recruited under false pretences (BE-E6; BE-E9; BE-E11), but in exceptional cases the victims are forced from the very beginning to go to Western Europe (BE-E6). For the recruitment to succeed, the recruiter should be someone who seems to inspire trust, possibly an acquaintance of the victim (Korsell et al., 2011; Shelley, 2010). Occasionally, the recruitment process can run in two directions, seeing that individuals who “view (...) prostitution as a logical option compared to other work alternatives” (García, 2016, p. 149) at times deliberately look for intermediaries or *souteneurs* in the interest of easing their debut into the sex trade (BE-C1). Once a person is won over by hook or by crook, the victim is transferred to the country of destination by any means conceivable (Shelley, 2010). Planes, trains, buses and cars are all recurrent forms of transportation (BE-E1; BE-E9; BE-E11). If possible, legal documents are used as not to arouse suspicion (BE-E1) (Kleemans & Smit, 2014). Intercontinental trafficking, on the contrary, often calls for smuggling practices (BE-E7; BE-E9). After arrival, the actual exploitation can take place. Victims are usually accommodated in small houses or flats (BE-E11), more often than not in substandard living conditions (BE-E1; BE-E9; BE-E10; BE-E13). Imposing some form of control and forcing victims into a position of utter dependency is central to the practice of exploitation (BE-E2; BE-E11; BE-E13). To this end, human traffickers frequently make use of the system of debt bondage. In essence, victims are coerced to repay large sums of money for their transportation, accommodation, and so on (BE-E5; BE-E7; BE-E9; BE-E11). After a while, the cycle repeats itself with new victims (BE-E1; BE-E11). Previous victims either get out, move up the criminal ladder or become an object of barter between the initial group and other trafficking networks (BE-E1; BE-E6). Human trafficking operations are principally characterised by rotation, dislocation, and a high rate of victim replacement (Europol, 2016; Kleemans & Smit, 2014). More sophisticated, transnational organisations are able to set up carousel

structures, which allow them to transfer victims from country to country (BE-E5; BE-E6; BE-E7).

For the most part, the archetypal equation of human trafficking with coerced prostitution or forced labour is somewhat misguided. At present, downright coercion seems to be the exception rather than the rule in trafficking operations (Federaal Migratiecentrum, 2014; García, 2016; Guia, 2015). As it happens, keeping a crowd of resentful victims under one's thumb is nothing short of a logistical nightmare (Zhang, 2011). Conversely, by offering victims a win-win situation in the spirit of professionalisation (BE-E3; BE-E5; BE-E6) (Leman & Janssens, 2015), perpetrators avoid the major level of commitment intrinsic to extracting forced services. Lastly, the abuse of traditional cultural practices at one's discretion is central to many international trafficking rings, notably in Albanian, Romanian, Nigerian, Chinese or even Indian circles (BE-E5; BE-E12) (Leman & Janssens, 2015).

Over and above this general method of operating, there are countless ways of carrying out human trafficking activities (OSCE, 2013). In the matter of sexual exploitation, two specific *modi operandi* are highlighted. First off, Nigerian networks are specialised in criminal exchange programmes or carousel setups (BE-E5) (Federaal Migratiecentrum, 2014). Nigerian human trafficking operations are by definition intercontinental. Victims are smuggled via the Libya route to Italy, where they are picked up and brought to Western Europe (BE-E5; BE-E6; BE-E7). The debt incurred by this journey can be as much as €60,000 per trafficked victim (BE-E5). In conjunction with debt bondage, victims are controlled through voodoo rituals and violence (BE-E5; BE-E7; BE-E12). Some victims manage to move up the ranks and assume the position of "madam" (BE-E5; BE-E7) (Europol, 2016). In this way, the system of exploitation preserves itself (BE-E7) (Federaal Migratiecentrum, 2014). The lover-boy method, on the other hand, revolves around emotional manipulation and the perversion of social relationships (Kleemans, 2012; OSCE, 2013). Lover-boys prey on vulnerable girls or women (BE-E5; BE-E12). In the case of respondent BE-C3, for example, teenage runaways from juvenile institutions were deliberately targeted (Myria, 2016). By means of an intense grooming process, the perpetrators isolate their victims, bind them to themselves and subsequently pressure them into doing sex work (BE-E12) (Federaal Migratiecentrum, 2014; OSCE, 2013). As regards labour trafficking, the workings of economic exploitation are quite diverse. The whole idea of labour trafficking is to keep labour costs at a minimum with a view to maximising profits (Kara, 2011; Wheaton et al., 2010). The posting of workers from low-wage in high-wage countries lends itself well to that purpose (Delepière et al., 2013), as it enables the entrepreneur to employ workers in the country of destination under the conditions of the country of origin (BE-E1; BE-E9). These types of secondment schemes or social dumping practices (BE-E9; BE-E10) are frequently accompanied by bogus self-employment ploys (BE-E2; BE-E5; BE-E7; BE-E9; BE-E13). By falsely declaring workers as self-employed, the enterprise is no longer bound by regular terms of employment (CGKRB, 2011) and, in turn, manages to evade certain social security contributions (BE-E2). Additionally, subcontracting arrangements, sometimes in the form of elaborate subcontracting cascades,

can be put into place as a way to distance the organiser from the actual exploitation (Delepière et al., 2013). Moreover, operating from within the framework of a legitimate corporate structure provides opportunities for coating exploitative practices with a veneer of legality (Leman & Janssens, 2015). In order to sustain this pretence of legitimacy, entrepreneurs can for instance declare a minimal amount of work hours (BE-E4). In the same vein, victims of sexual exploitation working in bars or windows are sometimes registered under horeca contracts for tax purposes, yet worked hours and earnings are routinely under-declared (Boels, 2015; Weitzer, 2014b; Weitzer & Boels, 2015). Another avenue is to simply take advantage of legislative loopholes (BE-E5). On this point, perpetrators use the ambiguity of the legal framework on human trafficking for their own ends by deliberately framing the work of their victims in such a way that is possible to denounce the charge of human trafficking (Europol, 2017; Leman & Janssens, 2015). In this context, human trafficking for labour exploitation has more to do with structural labour market vulnerabilities than it bears upon the “aberrant criminal actions of deviant traffickers” (Davies, 2017; Shamir, 2012, p. 112).

That being said, trafficking in human beings often coincides with plenty of other transgressions. Depending on the *modus operandi* concerned, human trafficking operations regularly draw on a string of ancillary or instrumental offences (Vermeulen et al., 2010). Evidently, human trafficking and human smuggling activities can be very much interconnected (Kleemans & Smit, 2014). In order to move victims to where they are needed, some networks resort to the ticket of document forgery (Europol, 2017) or corruption (BE-E5). One illustrative example is an elaborate human trafficking case involving Thai massage parlours. With the help of an employee of the Thai embassy in Brussels, the criminal organisation managed to obtain residence permits for all the girls. The staff member concerned charged no less than €6,000 per person for her services. As for the transportation of Thai girls, airport staff was bribed into turning a blind eye to their false documents (CGKRB, 2012). Parallel to transferring victims, the accommodation of victims quite often backslides to rack-renting practices (BE-E4; BE-E8; BE-E9; BE-E10). The extent to which organisations engage in criminal activities that do not add to the commission of the human trafficking offence, on the other hand, widely differs from profile to profile (BE-E5). In respect to other organised criminal activities, trafficking in human beings is often associated with drug trafficking (Dank et al., 2014). However, a connection to the drug trade can also be contributory to the commission of human trafficking, as drugging victims of sexual exploitation is a tried and tested method of inducing compliance (BE-E7; BE-E11) (Boels, 2015; Leman & Janssens, 2015). In other instances, human trafficking is linked to other criminal activities by the use of victims in other criminal activities (Europol, 2015), such as the case of Vietnamese labourers working on cannabis plantations (BE-E11). To all appearances, human trafficking operations verge on specialisation, as the perpetrators generally do not expand their criminal portfolio beyond their core business (BE-E1; BE-E10; BE-E13). Holding the reins over a human trafficking business is a time-consuming engagement that leaves little room for diversion. Moreover, having the means and opportunities to set up a human trafficking ring does not



necessarily mean that one also has access to alternative illicit trades (Kleemans, 2012).

It follows that interfaces between trafficking in human beings and other empirical manifestations of organised crime are far from systematic (BE-E1; BE-E12). To be accurate, some interconnections have in fact been uncovered, as in mutual connections between organised human trafficking rings (BE-E1; BE-E7; BE-E11), links with human smuggling rings (BE-E4) or links with the Chinese Triads (BE-E3) (Federaal Migratiecentrum, 2014) and motorcycle gangs (BE-E11) (Myria, 2017). Most of these relationships are based on either kinship and friendship (BE-E1) or on the principle of reciprocity (Tijhuis, 2006). The system of compensation between drug trafficking and human trafficking networks to launder money is a remarkable example of this type of symbiotic collusion (see section 3.4).

### 3. FINANCING AND FINANCIAL MANAGEMENT

#### 3.1. Source of capital for initiating/sustaining criminal operations

Much like the aforementioned cross-criminal collaborations, trafficking in human beings is firmly rooted in blatant opportunism. On the whole, the initial investments put into setting up human trafficking activities are minimal. As a matter of fact, criminal entrepreneurs deliberately search for ways to start up their business with as little capital as possible (BE-E3). In actuality, very little is needed to set up a human trafficking business, though this can depend on the particular method of operation. Concerning the business model of lover-boys, no launch capital whatsoever is needed (BE-E5). In entering the human trafficking business, having the necessary knowledge and the right connections takes precedence over sitting on a sizable reserve of money (BE-E4; BE-E6; BE-C3).

As law enforcement agencies rarely trouble themselves over the question of start-up capital (BE-E5; BE-E7; BE-E13), not much is known about the source of financing. In view of the fact that one can get a human trafficking operation off the ground with limited funds, own resources are a major source of financing (BE-E10). A case in point are former victims, who use the little money they have earned to set up their own business (BE-E4). Additionally, human trafficking operations can be funded by pooling resources together (BE-E3; BE-E4) or by turning to relatives (BE-E3). To illustrate, respondent BE-C2 claimed that €5,000 was all it took to establish his car wash venture, a sum which he easily secured by taking out a business loan.

By the same token, keeping a human trafficking business up and running in the face of critical moments is more of a challenge than launching said operation. Pivotal moments, such as apprehension by law enforcement authorities, put the offenders in what is essentially



a sink-or-swim situation. One way of dealing with this adversity is by maintaining control over victims in one way or another, even from behind bars (BE-E6; BE-E12). Victims who willingly bear the litigation expenses of their alleged exploiters are a grim example of this type of boundless manipulation (BE-E12). Related to this survival strategy, respondent BE-C2's family members willingly stepped in to take care of business while he served his prison sentence, thus ensuring the continuity of his undertaking. Yet, in preference to responding to crises, criminal entrepreneurs principally act in advance of law enforcement interventions. To this end, human traffickers have a whole range of counterstrategies at their disposal. If push comes to shove, human trafficking operations are quite easily uprooted and relocated elsewhere (BE-E1; BE-E5; BE-E6; BE-E7). In lieu of dislodging their entire operation, human trafficking organisations usually opt for moving their criminal assets as far as possible from the spot where the exploitation takes place (FATF & MENAFATF, 2015; Federaal Migratiecentrum, 2014; Kopp, 2012). In order to mitigate the risk of losing everything, criminal proceeds should be translocated as soon as possible (BE-E4; BE-E5). Considering the deep-seated familial and international dimension of human trafficking, it is not uncommon to hide one's revenues with relatives (BE-E1; Dank et al., 2014), both in the country of origin and in third countries (BE-E5). Spreading the risk of confiscation (Aronowitz et al., 2010), for instance through various investments abroad (BE-E10), also occurs. In addition to hauling the proceeds a long way from their illicit origins, corporate structures embroiled in human trafficking activities have recourse to bankruptcy abuse and fraud (BE-E10) (Leman & Janssens, 2015). In this sense, implicated companies are suddenly insolvent on the occasion of a conviction (BE-E5; BE-E7). Furthermore, criminal entrepreneurs often go to great lengths to avoid leaving incriminating trails (BE-E5; BE-E13; Aronowitz et al., 2010), to which end various strategies are suitable. Straw men schemes (BE-E5), using the internet to sidestep wiretapping or even adopting nicknames (BE-E9) all answer this purpose.

On account of the fact that hardly any start-up capital is needed, it follows that human trafficking operations do rebound after critical episodes (BE-E4; BE-E12). However, this low market entry threshold also means that competitors eager to fill the market void are abundant (BE-E1; Leman & Janssens, 2015). In case of such a criminal *coup d'état*, the complete lack of territoriality in the human trafficking business means that the opportunities to reinstate one's business elsewhere are abundant (BE-E4). Whereas some organisations inevitably crumble, others manage to pull through. Consequently, the latter category is in a position to learn from its mistakes and adapt accordingly (BE-E5). Moreover, because of the rather modest initial investment, stripping a human trafficking networks of its assets is not enough to permanently incapacitate the operation (BE-E4). On the contrary, a convicted human trafficker is still endowed with relevant experience and the right connections. A loss of reserves or revenue might not leave one much choice but to simply take up where one previously left off (Naylor, 1999).

### 3.2. Settlement of payments

Aside from the occasional moment of crisis, human trafficking organisations have to deal with the everyday issue of working out a payment system. As concerns sexual exploitation, the sex trade is conventionally a cash-up-front business (BE-E1; Europol Financial Intelligence Group, 2015; Finance Against Trafficking, 2014; Korsell et al., 2011). Besides cash transactions, only a few venues accept credit card payments (BE-E1; BE-E13). Most often, the client pays to an intermediary who is present at the spot (Petrunov, 2011), such as a “big sister” companion (BE-E5; Leman & Janssens, 2015) or the local manager of the venue. Alternatively, the customer pays directly to the victim (BE-E1; BE-E7), who either immediately hands over the payment to the intermediary (BE-E11) or, more infrequently, compliantly brings the earnings to the exploiters (BE-E1; BE-E6; BE-E12; BE-E13). These types of settlements permit the criminal organisation to sever the cash flow from their commodity, in this case trafficked human beings (Kopp, 2012). As a matter of course, the organiser of the human trafficking operation sees to the redistribution of the takings among the different ranks of the organisation (BE-E11). Ordinarily, this allotment involves a fifty-fifty arrangement between the victim and the exploiter. However, one should bear in mind that all expenses are subtracted from the victim’s share (BE-E1; BE-E11; Leman & Janssens, 2015).

As for labour exploitation, a different pattern emerges. As a rule, the customer pays the employer for the work that has been done. The method of payment is largely subject to the sector of operation (BE-E1; BE-E4; BE-E11). Bank transfers are a common payment system in a number of businesses, whereas other undertakings such as carwashes are primarily cash-based. Wire transfers are usually quickly followed by a withdrawal in cash (BE-E4; Delepière et al., 2013). The employer gives money to the intermediary, who in turn pays the workers (BE-E1). For the most part, workers are paid in cash (BE-E3; BE-E4; BE-E12; Delepière et al., 2013). Again, all incurred expenses are deducted from the victims’ wages (BE-E11). In essence, the exploiter receives the payments and subsequently handles the apportionment of the organisation’s revenues (BE-E11).

Incidentally, control is of critical importance in ensuring payments from victims (BE-E5; BE-E13; Campana, 2015). Moreover, it is in the interest of the exploiter to have a clear picture of the earnings of his or her victims (BE-E13). To that end, the ways and means to keep a tight rein on trafficked victims are virtually limitless. As a matter of usual practice, victims are forced into a position of financial dependence (BE-E11). The system of debt bondage, as pointed out before, compels people to work off their debt burden (BE-E1; BE-E5; BE-E12). Accumulating wage arrears or withholding money further (BE-E2) binds the victim to the trafficking network, for fear of suffering the loss of these due payments. Likewise, exploiters sometimes hold on to the victims’ first earnings as a sort of security deposit (BE-E11). In distinction to keeping back victims’ payments, some human trafficking operations implement a crude penalty system, basically imposing a fine on all types of minor transgressions (BE-E1; BE-E10). Another aspect of control is restricting

and supervising every movement of trafficking victims. Isolating or even sequestering workers principally corresponds to this need (BE-E1; BE-E7; BE-E9; BE-E11). Under other conditions, human trafficking networks make use of technological developments such as cameras (BE-E1; BE-E13), mobile phones (BE-E5; BE-E6; BE-E7) or tachographs in lorries (BE-E10) in conjunction with "low-tech" surveillance in the form of on-the-spot supervisors (BE-E13). By taking away identity papers (BE-E6; BE-E11) or abusing the person's illegal status (BE-E4; BE-E10; BE-E12) exploiters effectively limit their victim's freedom of movement to the confines of the human trafficking operation.

In the case of a sham marriage (BE-E1) or domestic servitude, one's mobility rarely extends beyond the front door. Alongside physical restraints, psychological terror is a favoured method of control. In this respect, branding victims by means of tattoos (BE-E1; BE-E6) or outright mutilation (BE-E9) conveys an unequivocal message. On the subject of instilling fear, violence or threats thereof towards both the victim and his or her relatives are ever-present (BE-E1; BE-E7; BE-E9). Or rather, violence is not as common as more subtle means of control such as extortion, as the use of violence implies less profit and harsher punishment (Englund et al., 2008; Leman & Janssens, 2008; Vermeulen et al., 2007).

### 3.3. Costs of doing business

By its very nature, trafficking in human beings is a cost-saving exercise (BE-E3; BE-E4; BE-E5). From a business point of view, human trafficking makes for a relatively inexpensive undertaking considering that a trafficked individual is a remarkably low-cost "commodity" (Europol, 2015; Wheaton et al., 2010). As one would expect, the operating costs of a human trafficking organisation vary widely according to the network's method of operation (BE-E5). Ultimately, exploiters recoup any costs or expenses incurred during the operation directly from their victims (BE-E4; BE-E9; BE-E10; BE-E11).

Each stage in the process of human trafficking entails different costs. Before anything else, exploitation requires people. Getting a hold of those people mainly involves advertisement costs (BE-E1; Portnoff et al., 2017). Accordingly, the costs of recruitment are in effect next to nothing (Leman & Janssens, 2008). After ensnaring one or several victims, the prospective labour force needs to be transferred to their country of destination. Evidently, the cost of transportation is commensurate with the distance that is covered by the operation. As far as trafficking within Europe is concerned, transportation costs generally consist of plane, train, or bus fees (BE-E1; BE-E11) or, as an alternative, the price of a second-hand car or mini-van and fuel (BE-E1), as well as obtaining travel documents, whether counterfeit or not (BE-E3; BE-E13). So, in spite of appearance, transporting victims is generally a minimal cost of doing business (Kara, 2011). On the contrary, the expenditure item of transportation is conveniently turned into a source of profit. By way of illustration, a trip from Eastern Europe usually costs about €40 or roughly the price of low-budget flight (BE-E1; BE-E11). Victims, on the other

hand, are ordered to repay the traffickers upwards of €800 for their travel expenses (BE-E11). The same goes for human trafficking operations involving long-distance smuggling. Trafficked individuals incur a debt of €15,000, €30,000, or even €60,000 (Federaal Migratiecentrum, 2014), a sum that is eagerly inflated in light of perceived risks of traversing borders but is in no way proportional to the real costs of transportation (BE-E5; BE-E9; BE-E11). Hence, the system of debt bondage or coerced indebtedness is a patently overblown contract (Kara, 2011).

Next, as concerns the accommodation of victims, networks frequently pay around €800 in monthly rent for a small house or apartment (BE-E1; BE-E11). In order to secure a lease agreement, human traffickers often turn to their web of contacts (Korsell et al., 2011). In preference to paying rent, in exceptional cases the cost of accommodation is avoided altogether by housing labourers in their respective workplace (BE-E10; BE-E16). Contrarily, accommodation is a cost item that is increasingly remodelled into a money-spinning scheme through the practice of rack-renting (BE-E10). If the monthly rent is €800, the exploiter simply harbours five to ten victims in the same place and charges each of them a fee of roughly €250 (BE-E11).

Furthermore, exploitation necessitates a certain infrastructure, such as a workplace, working clothes and all kinds of implements (BE-C2; BE-E1; BE-E13; Adriaenssens et al., 2015). Setting up basic organisational structures can be a substantial investment. It would, therefore, be worthwhile to look into such cases from a money laundering angle. On the other hand, if the infrastructure is pre-existent to the human trafficking activities, as is often the case with labour exploitation (BE-E4), then no investment whatsoever is required. In addition to the infrastructure of trafficking in human beings, criminal organisations are confronted with a number of operating expenses. These costs are primarily connected to the everyday management of a trafficking venture. Mobile communication and internet access are, of course, rather unexceptional business expenses (BE-E1; BE-E7). A more atypical cost item is the repatriation of criminal assets (Soudijn & Reuter, 2016), as for instance money transfer services charge a ten percent commission on transactions (BE-E13) (Brenig et al., 2015).

Other costs related to exploitation include the rent for windows, which is specific to red light districts<sup>3</sup> (BE-E1; BE-E5) (Adriaenssens et al., 2015). Window fees normally fluctuate between €100 and €200 per shift (Adriaenssens et al., 2015; Boels, 2016), though there are large regional differences (BE-E6; BE-E12; BE-E13). Advertising sexual services on-line is typically free of charge. Bumping these ads in order to draw in more customers, on the other hand, requires payment, for instance via text message (BE-E6) (Portnoff et al., 2017). As for wage costs, since

<sup>3</sup> While on the subject of renting windows for sex work, the means of gaining access to these venues, incidental to the involvement of third parties in window prostitution, vary from place to place. As Weitzer and Boels (2015, p. 252) note: "In Antwerp, the sex workers rent window space directly from a building owner. In Brussels, madams rent a window unit from the building owner and supervise the prostitutes who work for them. In Ghent, prostitution café managers/barkeepers rent space from the building owner, and sex workers typically enter into written contracts with managers in order to occupy the space for a specific period of time."

trafficked workers are axiomatically paid well below the legal minima, labour exploitation represents an immense saving in labour costs. Labour trafficking implies a saving of at least fifty percent, and in the worst case this cost-item is eliminated altogether (BE-E2; BE-E4; BE-E9; BE-E10). Lastly, control has an evident decisive relevance to the matter of exploitation. Monitoring or control-related costs are considerable, as keeping people in check takes a lot of time and resources (Campana, 2015; Korsell et al., 2011).

### 3.4. Profits and profit sharing

Proceeding from this low-cost business model perspective, trafficking in human beings is often believed to generate immense profits. On average, the overall revenues of a human trafficking operation easily add up to several tens or even hundreds of thousands of euros (BE-E2; BE-E5; BE-E12; BE-E14), not to mention the outliers who rake up millions of euros in profit (BE-E1; BE-E10). Throughout the human trafficking business, profits are subject to large fluctuations (Englund et al., 2008; OSCE, 2013). As a matter of course, trafficking in persons involves services that are provided on a continuous basis. Subsequently, the proceeds of human trafficking are patterned by a steady flow of relatively small takings (FinCen, 2014; Korsell et al., 2011). Weighed against the nominal investment required to get a human trafficking operation up and running, trafficking in human beings yields a quick and considerable profit (Kara, 2011; Mahmoud & Trebesch, 2010; Petrunov, 2011). In point of fact, a criminal entrepreneur can normally regain his initial investments in a matter of days (Leman & Janssens, 2015). Trafficking in persons is nevertheless far from the limitless source of profit it is commonly made out to be (Campana, 2015; Marcus et al., 2016). On the whole, human trafficking seems to be less profitable than other criminal undertakings, such as drug trafficking (Bruinsma & Bernasco, 2004; Levi & Reuter, 2006). Adding to that, the relative absence of economies of scale significantly limits the profit potential (Campana, 2015).

Trafficking in persons can be financially rewarding in several different ways. That is, exploiters either extort services from their victims or trade in trafficked persons (Bravo, 2008; OSCE, 2013). The latter option appears to be more and more exceptional nowadays (BE-E5; Leman & Janssens, 2008), as renting out or selling individuals is less lucrative than exploiting them over a longer period of time (Leman & Janssens, 2015). Deducting travel and living expenses, imposing fines, and wielding extortionate interest rates (Kara, 2011) increases the margin of profit as well. Concerning sexual exploitation, estimates on the proceeds vary considerably. One victim is reckoned to yield somewhere in the ballpark of €2,000 to €8,000 a week (BE-E1; BE-E6; BE-E11; Boels, 2015; Roudaut, 2011). Similarly, the number of trafficked persons stretches from a single individual (BE-E13) up to dozens of victims (BE-E5). In order to keep the operation at a manageable scale, the number of victims rarely exceeds that of a handful (BE-E1). The estimated number of clients for window workers clusters around five a day, give or take a few (BE-E6;



BE-E7; BE-E11), though sex workers can expand their clientele by engaging in other prostitution segments such as internet-based or private services (BE-E6). As for the price range of sexual services, rates are mainly contingent on the type of prostitution (BE-E6; BE-E7; BE-E12). The average price for window prostitution is €50 (BE-E6; Boels, 2015), whereas escort services are usually paid €150 (BE-E1; BE-E6). On the whole, sex workers charge somewhere around €50 to €100 for their services (Adriaenssens et al., 2015; Boels, 2015). Victims of human trafficking, however, are prone to working at a cut-rate as they are in no position to refuse clients (BE-E6; BE-E12). Specifically, victims oftentimes procure services below the standard rate in order to meet revenue quotas imposed by their exploiters (Boels, 2015). In this connection, sex workers who have no say in their working conditions also have little control over the number of clients they receive (García, 2016), let alone the prices they charge. Offering services at a cut-price nonetheless affects the market for sex work and, as a consequence, creates tensions with other prostitutes (Boels, 2015). With reference to economic exploitation, the term profit takes on various meanings. By way of explanation, profits can be regarded as all direct gains from human trafficking activities. Contrarily, the profit can also be equated to all wages, social contributions, and other expenses that have been evaded in the process (BE-E9; BE-E11). In other words, the issue of sizing up profit in labour trafficking is rather muddled. The proceeds of labour trafficking largely depend on the duration and gravity of the exploitative practices (BE-E2). Moreover, low labour costs increase profits as they allow for more competitive pricing (BE-E4; BE-E11).

When it comes to divvying up the proceeds, shares are generally in accordance with the respective contribution of that member to the human trafficking operation (BE-E1; BE-E4; Petrunov, 2011). As mentioned earlier, the organiser is the one who is responsible for the redistribution of profits. This apportionment is seemingly reflective of the hierarchy present in a criminal organisation, provided that a certain degree of organisation is in fact existent in the trafficking operation. Principally, the organiser takes the lion's share of the profit, his lieutenants get a smaller piece of the pie, and so on (BE-E4; BE-E11). Interestingly, respondent BE-C3, as a more peripheral member of the operation, considered going out with the girls along with casual sexual encounters to be a form of payment in kind. In fact, he declared that he had no real financial motive to take part in these activities because he was already employed on a full time basis somewhere else and, in consequence, did not view the pin money he received for his services as the group's driver as the main perquisite of this job. On the occasion that trafficking networks externalize some of their activities, service providers or brokers are paid on a freelance basis (Leman & Janssens, 2008). As one might imagine, the trafficked workers are quite literally at the bottom of the "food chain."

By and large, offending and spending are closely connected. The greater part of criminal proceeds is blown on luxury goods as to keep up a lavish lifestyle (CGKRB, 2012). Prodigious spending sprees and conspicuous wealth are, of course, flagrant measures of the economic power one has



managed to accumulate (Petrunov, 2011). Remaining assets, if any, are usually invested (FATF, 2011; Kopp, 2012; Korsell et al., 2011; Leman & Janssens, 2015; Petrunov, 2011). Investments are predominantly made in the real estate sector, both domestically and in other countries (BE-E3; BE-E7; BE-E12). In turn, investments mostly involve legal opportunities. Respondent BE-C2, for one, dipped into the proceeds of his car wash business to set up two supplementary convenience stores. The revenues from human trafficking operations, however, can also be used to embark upon other criminal enterprises, such as drug trafficking (BE-E4). Depending on the profile and background of the offender, investments can take place in Belgium as well as abroad (BE-E4; BE-E7; BE-E8; BE-E10). Investment choices are thus marked by their notable proximity to the criminal entrepreneur. In general, investments stay close to home (Kruisbergen et al., 2015; Levi & Reuter, 2006). Lastly, part of the profits flows right back into the trafficking business with a view to sustaining subsequent cycles of operation (BE-E1; BE-E9; BE-E11; BE-E13) or, on rare occasions, to increase the scale of the illicit undertaking (BE-E1; BE-E11).

In a related manner, investing abroad points to the cross-border movement of human trafficking proceeds. As mentioned before, offenders primarily send criminal proceeds to their country of origin (Europol, 2016; Europol Financial Intelligence Group, 2015) in a bid to safeguard their financial assets. Transferring illicit earnings on a regular basis would be a sensible strategy (Korsell et al., 2011), as letting large sums of money accumulate in the country of operation runs the risk of losing the full amount of criminal proceedings at the hand of law enforcement interventions. The physical transportation of cash by cash couriers is a prevalent way of moving assets abroad which, perhaps, could be expected given the finding that trafficking in human beings, for a great part, is a cash-based economy (BE-E5; BE-E12; Europol, 2015). An illustrative example is the case of the white van courier, who was assigned the task of collecting the sex trafficking scene's filthy lucre along a set route, crossing Belgium, the Netherlands, and Germany before delivering the stacks of cash to Bulgaria. The cash courier did not only move human trafficking profits in exchange for a certain commission fee, but worked for the entire Bulgarian criminal circuit in Western Europe (BE-E5; Federaal Migratiecentrum, 2014). Secondly, wire transfers are increasingly avoided as a cross-border conduit for criminal assets on account of their traceability (BE-E6; Europol, 2015; Petrunov, 2011). On the off-chance that bank transfers are being used, this is usually realised by breaking down the funds into smaller transactions, by wiring money through third-party bank accounts, by having victims transfer the assets (BE-E1) or through the medium of money mules (BE-E4). Outside the traditional banking system, money service businesses such as Western Union, MoneyGram and Moneytrans are frequently used by non-Belgian offenders to repatriate profits (BE-E1; BE-E3; BE-E15). Yet again, these financial transactions are carried out under a different name with the aim of bypassing any active identification systems (BE-E5; BE-E13; Leman & Janssens, 2015). On the subject of underground banking, hawala money transfers are restricted to certain nationalities (BE-E1; BE-E5; BE-E10; Europol, 2015), such as Afghani and Pakistani ethnic groups (Soudijn, 2015). Similar to the method of

hawala banking is the Black Western Union system specific to Nigerian networks (BE-E5). In essence, criminal assets are sent to Nigeria by means of parallel money transfers run through grocery stores or other retailers (Federaal Migratiecentrum, 2014).

Transferring profits and subsequently reinserting criminal capital in the regular circuit can be considered as the most prominent method of money laundering in human trafficking operations (BE-E4; BE-E5; BE-E12; BE-E13) (FATF, 2011). It stands to reason that this method is a rampant approach to criminal money management as it is a very easy way to integrate illicit funds into the legal economy (Europol Financial Intelligence Group, 2015). However, the laundering of trafficking profits does not necessarily follow the same fixed pattern. Rather, offenders launder their illicit profits by any means possible (BE-E13), for example through purchasing alcohol cheaply and reselling it at inflated prices (BE-E4). In as much as human trafficking operations are principally clandestine enterprises (Weitzer, 2014a), the incidence of money laundering is largely uncharted territory. However, the figures presented by the Belgian Financial Intelligence Processing Unit (FIU) are, to a certain degree, indicative of the scale of this issue. Between 2010 and 2015, a total of 866 cases of money laundering connected to human trafficking activities were reported to the public prosecutor's office (CTIF-CFI, 2015). As Table 6 reveals, substantial amounts of money are involved.

**TABLE 6. SCALE OF FILES LINKED TO TRAFFICKING IN HUMAN BEINGS AND FORWARDED TO JUDICIAL AUTHORITIES BY THE BELGIAN FIU (2014 – 2016)**

Year	Number of files	Total (€ million)
2014	29	17.69
2015	17	13.22
2016	20	14.63

Source: CTIF-CFI (2016).

The bottom line of any money laundering scheme is to provide criminal proceeds with a legal façade (BE-E14; Levi & Reuter, 2006). As explained above, human trafficking operations, and labour trafficking operations in particular, routinely take advantage of legitimate companies. For this reason, trafficking in persons lends itself particularly well to money laundering (Delepière et al., 2013; Europol, 2015; Levi, 2015). Provided that

a human trafficking network operates within a bona fide business structure, the comingling of legitimate and illegitimate assets is inherent to the workings of the criminal enterprise (BE-E1; BE-E14; Europol Financial Intelligence Group, 2015). As a further laundering procedure, corporate structures easily allow for trade-based money laundering (BE-E3; BE-E5), for instance through invoice fraud (BE-E4; BE-E7; BE-E10) or bogus consultancy fees (BE-E10). A striking example is the compensation system between drug trafficking and trafficking in human beings. Essentially, human trafficking organisations need hard cash to pay their workers, whereas drug traffickers need to get rid of their cash supplies. This cross-criminal exchange between two front companies is subsequently covered by false invoices (BE-E3; BE-E15; CTIF-CFI, 2016). More generally, profits are passed from one transit bank account to another (BE-E9). Not

only are obfuscated business structures consisting of many interconnecting firms conducive to the harbouring of trafficking activities, they also enable offenders to let the proceedings circle between several accounts of their own companies. Similarly, chains of subcontractors can double as pipelines for criminal assets (BE-E4). Alternatively, the accounts of victims or money mules are put to use as transit bank accounts (BE-E13; BE-E14). After passing the proceeds around, the rule of thumb is to break the paper trail by turning the profits into cash, often through smurfing techniques<sup>4</sup> (BE-E3; BE-E4; BE-E15; CTIF-CFI, 2016; Delepière et al., 2013). As a consequence, the last steps of the money laundering process take effect outside the regular banking system (Delepière et al., 2013; Shelley, 2010). Overall, money laundering schemes tied to human trafficking operations rarely get more complex than this (Petrunov, 2011). In fact, the methods by which human traffickers launder their earnings are markedly similar to those used for other criminal activities (CGKRB, 2011; OSCE, 2014).

### **3.5. The role and impact of the internet on human trafficking activities and finances**

Likewise, the internet and accompanying technological advancements constitute powerful drivers for all manner of illicit trades (Europol, 2017; Lavorgna, 2015). As regards trafficking in human beings, the Internet fulfils three main functions (Myria, 2017). First off, online classified ads, social networking sites, and dating sites all serve as recruitment hubs for trafficking victims (Hughes, 2014; Latonero, 2011; Myria, 2017). Next, the Internet is of great use to the management of human trafficking rings (BE-E5) (Myria, 2017), as it facilitates communication (BE-E1; BE-E10; BE-E13) and capacitates organisers to coordinate trafficking activities from a distance (BE-E10). Moreover, concerning the management of victims in particular, recent technologies have significantly expanded the arsenal of methods of control (BE-E1; BE-E5; BE-E7), for instance through so-called sextortion practices (Di Nicola et al., 2017; Lavorgna, 2015) or by remotely monitoring trafficked persons (Hughes, 2014). Lastly, sex trafficking victims are increasingly advertised online (Korsell et al., 2011; Myria, 2017).

Hitherto, the use of digital communication technologies has been reported more for sexual exploitation than for cases of labour trafficking (Hughes, 2014; Latonero, 2011). It appears that more traditional methods of recruitment are preferred for select target audiences, such as labourers who are located in rural areas (Latonero, 2011). The internet has nevertheless left its mark on the recruitment process of human traffickers. Above all, ICTs lower the threshold for making contact with

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<sup>4</sup> By way of explanation: "One of the ways that criminals can overcome some of the transaction regulation is by using external allies to circumvent restrictions on deposit amounts or add confusion to the financial trail. The classic method is to take a large cash sum, for example 100,000, and to break this down into smaller sums of between 8,000 and 9,000. A number of members of the gang or outside members such as family or friends are given batches of the money and ordered to deposit it from different banks locally to arrive at the same destination bank. This process is known as smurfing and it was devised to avoid detection when large sums of cash needed to be deposited" (Naheem, 2015, p. 518).

potential victims (BE-E1; BE-E17; Myria, 2017). In this regard, detailed social networking profiles provide the means for victim selection, social engineering, and tailored deceit (Lavorgna, 2015; Myria, 2017; Watson et al., 2015). Correspondingly, a calculated employment of ICTs can potentially replace the position of recruiter or transporter abroad in specific cases, notably one-to-one exploitation and sham marriages (BE-E4; BE-E7). Hence, social media and other technologies present an unparalleled opportunity for individual traffickers to set up their own operation (Tripp & McMahon-Howard, 2016). Furthermore, technological developments have left a marked impact on the working conditions and areas of activity of sex work in general (García, 2016). After all, online classified ads and specialised websites provide a relatively covert and discrete way of advertising sexual services and accessing clients compared to the alternative of publicly displaying prostitutes in red light districts (BE-E11). Sex trafficking networks have accordingly shifted their main fields of operation from bars and windows to private and clandestine soliciting (BE-E4; BE-E11; Di Nicola et al., 2017). Against this background, the present surge of private forms of prostitution in the wake of the ongoing digital revolution is something of a double-edged sword. On the one hand, web-based soliciting grants sex workers a certain level of freedom, independence, and concealment from the public view. From the opposed point of view, this clandestineness could lead to precarious situations (García, 2016). For example, the presence of police officers in Belgian vice districts serves as a tool to enhance social control (Weitzer, 2014b). Yet, when sexual encounters take place in apartments or disreputable hotel rooms, this type of external oversight is virtually absent. On top of promoting anonymity, new communication technologies have drastically cut the transaction costs of private prostitution and escort services, in particular by cutting back the expenditure on accommodation (Adriaenssens et al., 2015). Conversely, the impact of cryptocurrencies on the human trafficking business model has been far less extensive (BE-E3; Europol, 2015). As bearer negotiable instruments, decentralised and encrypted virtual currencies such as bitcoin can be regarded as perfectly legal facilitators of money laundering (BE-E14; Brenig et al., 2015). What has kept this inexpensive system of transferring from taking off, is the limited acceptability of cryptocurrencies and the fact that cashing outside the system is still a problem (Brenig et al., 2015). Cryptocurrencies nevertheless embody an insidious trend in managing criminal finances (BE-E14). Law enforcement agencies should therefore be alert to the possibility of recent technological advancements gaining a firmer foothold in the human trafficking business model.

Notwithstanding the glaring advantages set out above, the use of internet and assorted technologies bears a number of drawbacks for human trafficking organisations. As the online outposts of human trafficking activities form a rare instance where criminal operations do actually surface, websites such as redlights.be (BE-E5; BE-E6) or backpage.com (Portnoff et al., 2017) provide an interesting avenue to identify human trafficking cases (Di Nicola et al., 2017; Latonero, 2011; Myria, 2017; Watson et al., 2015). By and of itself, online classified ads selling sex are rife with potentially inculpatory information (Portnoff et al., 2017). Tracing back these ads to the exploiters behind them constitutes a major

step in countering human trafficking for sexual exploitation and, more importantly, this same alertness is gradually seeping through the law enforcement spectrum (BE-E5; BE-E6; Myria, 2017). Additionally, websites where clients discuss the sex workers they have visited can be used to single out trafficking cases (Adriaenssens et al., 2015; Korsell et al., 2011). Moreover, through the use of digital communication technologies, all kinds of transactions and communications are registered (Hughes, 2014). Antithetically to the deceptive opportunities of the internet, websites (e.g. Etransport.pl) where truck drivers exchange experiences and information about their employers enable potential victims to warn each other for trafficking practices (BE-E10; Myria, 2017).

#### **4. FINANCIAL INVESTIGATIONS OF THB CRIMES: CHALLENGES AND GOOD PRACTICES**

Going from “digital smoke signals” (Latonero, 2011, p. 37) to the financial footprints of human trafficking offences, financial investigations are widely regarded as an essential tool of an effective response to the criminal threat of trafficking in persons. In Belgium, financial investigations can be categorised as either minimal or maximal (BE-E1). Financial investigations adhering to the minimal approach are essentially a matter of calculating or tracing criminally obtained assets with a view to confiscation (BE-E2; BE-E4; BE-E10; BE-E11). In this sense, minimal financial investigations are quasi standard practice in human trafficking cases (BE-E1; BE-E6; BE-E12; BE-E13). More profound financial investigations that go beyond the purpose of sheer confiscation, on the contrary, are relatively infrequent and seem to be limited to bigger cases (BE-E1; BE-E7; BE-E8). Whichever option is deemed suitable in a concrete case is at the consideration of the prosecutor’s office (BE-E1; BE-E4). In spite of this fractional application, profound financial investigations are paramount to laying bare the structure of trafficking organisations (CGKRB, 2012; FATF, 2012; Shelley, 2010). Likewise, an effective financial investigation mirrors the findings of the principal criminal investigation (BE-E10). Accordingly, thorough financial inquiries are highly relevant to the issue of providing evidence (BE-E5; BE-E14; Brown et al., 2012). As yet, this case building potential is clearly underused (Kruisbergen et al., 2016). In effect, financial investigations have demonstrated their added value in supporting the charge of criminal conspiracy or criminal organisation (BE-E5; CGKRB, 2012; Leman & Janssens, 2015). As specified above, money is what ties the different parts of a human trafficking operation together. Consequently, delving into those finances is one of the few ways to take hold of the elusive men behind the curtain or top tiers of the human trafficking business when dealing with more sophisticated trafficking rings (BE-E5). Ultimately, knowing where the funds come from and where they go sheds a different light on a traffic that is difficult to chart directly (Kopp, 2012).

With regard to the purpose of confiscation, two methods can be used to determine the size of a trafficker’s illicit fortune (BE-E14). The method



of asset evaluation consists of stacking up the capital one has amassed over a suspicious period of time against the defendant's legal income in pursuance of demonstrating unexplained wealth (Brown, 2013). Alternatively, investigators turn to the direct calculation of criminally obtained assets. As far as sexual exploitation is concerned, the asset investigation and recovery unit of the Belgian Federal police is disposed to working out the total of criminal earnings or assisting human trafficking investigators in this calculation. Though conventionally, the calculation of criminal proceeds is seen as a standard investigative practice (BE-E6; BE-E14). The overall takings of a sex trafficking operation typically correspond to the sum of the number of identified victims, how much the victims have earned, and how much these trafficked individuals had to hand over to their exploiters (BE-E6). In the case of labour exploitation, social inspection services are usually entrusted with calculating the proceeds (BE-E1; BE-E2; BE-E4). The criminal financial gain in labour trafficking rests on two key elements, namely unpaid wages and unpaid social contributions (BE-E2; BE-E4; BE-E9). The total proceeds of a labour trafficking business are further shaped by factors such as the duration of employment, working hours, the type of labour involved, and so on (BE-E9). Parenthetically, the calculation of criminal proceeds is a telling way of quantifying the infraction (BE-E4). As a rule, operating costs are not brought into the equation (BE-E3), for the reason that confiscation is the first and foremost reason for calculating criminal assets.

Although invaluable to disrupting human trafficking operations, financial investigations are bound by considerable challenges and numerous practical problems. Going down the rabbit hole of criminal finances is an inherently time-consuming endeavour (BE-E4; BE-E7; BE-E8; BE-E14). However, lengthy investigations run counter to the principle of reasonable delay and the fact that a lot of non-resident defendants are held in temporary custody implies that human trafficking investigations are regularly conducted under pressure of time (BE-E4; BE-E7). In a similar vein, financial investigations are hampered by a general lack of resources (BE-E4; BE-E8; BE-E10; Delepière et al., 2013). This problem is exacerbated by the oftentimes complicated nature of human trafficking cases (BE-E1; BE-E2; BE-E4; BE-E5; BE-E7), which require the involvement of specialised investigators (BE-E1; BE-E4; BE-E7) and by the extensive use of counter-strategies. Whereas financial investigations move slow, the flow of financial transactions is immensely faster than the ability of investigative authorities to track them (BE-E4; OSCE, 2014).

The international aspect integral to most human trafficking operations complicates matters even more (Brown et al., 2012; Delepière et al., 2013; Soudijn, 2014). Over the years, the response to human trafficking has been raised to an transnational level in order to meet this complexity (de Jager et al., 2016; Goodey, 2008). Traditionally, international cooperation takes the form of written requests for mutual legal assistance or letters rogatory. However, this approach is virtually impracticable in the face of complex cross-border cases (Spapens, 2011). That is, requests for judicial assistance tend to be rather laborious (BE-E11; BE-E13). Parallel investigations and joined investigation teams (JITs), on the contrary, are intended to cut back on this tedious to-ing and fro-ing. The added value



of JITs in particular lies in the facilitation of exchanging information and expertise (BE-E12) (OSCE, 2013). In addition, JITs enable investigators to follow the money trail beyond national borders, thus expediting the confiscation of criminal assets abroad (BE-E5; BE-E11). The last few years have shown a marked increase in the use of JITs in human trafficking cases (Eurojust, 2017). In turn, the use of JITs is only gradually gaining foothold in Belgium (BE-E1). On the whole, international collaboration in human trafficking investigations has known widely varying degrees of success (BE-E10; BE-E11; BE-E12). Even so, transnational cooperation is of vital importance, as one could seriously question the effectiveness of tackling a phenomenon that essentially drifts between nations on a local level (BE-E5; BE-E9; BE-E13). Besides, increasing international collaboration advances a better understanding of the transnational dimension of the human trafficking business (Leman & Janssens, 2015).

## 5. CONCLUSION AND RECOMMENDATIONS

All things considered, the adage that trafficking in human beings is a low risk, high pay-off crime still stands (FATF, 2011; Finance Against Trafficking, 2014; OSCE, 2013). In the first place, the human trafficking business is set apart by a remarkably low market entry barrier (Kopp, 2012; Wheaton et al., 2010). Whereas exploitative practices yield considerable profits, the associated risks are close to negligible. Seeing that trafficking in human beings offences are notoriously difficult to prove (Balarezo, 2013; Eurojust, 2015; UNODC, 2016), the conviction rates for this type of transgression are relatively low (Kara, 2011; OSCE, 2013; Wheaton et al., 2010). Furthermore, those who are convicted for trafficking offences are usually met with rather feeble prison terms (Balarezo, 2013; Kara, 2011). In general, the bulk of human trafficking convicts received no prison time or a partially or fully suspended prison sentence (U.S. Department of State, 2017). As for Belgium, half of the prison sentences for human trafficking offences in 2016 ranged between one and three years (Myria, 2017). Accordingly, increasing the risks should be regarded as a fundamental policy direction (Bouché & Shady, 2017). Per contra, raising the costs of human trafficking would be to no avail, as passing on expenditures to victims and clients is ingrained in the trafficking business model. Related to the low risk nature of this criminal enterprise is the fact that human trafficking is a severely under-detected offence (Goodey, 2008; Guia, 2015; Kleemans & Smit, 2014). There are a number of conceivable ways to counteract this problem. Raising awareness, educating frontline practitioners, and building expertise among investigative authorities is pivotal in uncovering a crime that hides in plain sight (BE-E2; BE-E6; Aronowitz et al., 2010). Bearing in mind that a number of trafficking modalities rely on public venues, such as bars and massage parlours, which require a permit from the local municipality (Weitzer, 2014b), an administrative approach to trafficking in human beings would undoubtedly reinforce efforts to expose exploitative practices (BE-E11; Aronowitz et al., 2010). Against this background, it is important to note that, under the influence

of technological advancements, the market of sex trafficking has broadly shifted from public to more private forms of prostitution. This displacement evidently broadens the issue of detection from patrolling red light districts to monitoring websites and private venues. More generally, advancements in communication and technology have shaped the current human trafficking business model to a certain extent and will continue to do so in the future. In this irrevocable evolution lies a considerable challenge for investigative authorities and policy makers (BE-E13; BE-E14).

On the subject of investigating human trafficking offences, law enforcement agencies often lack the incentive to peg away at financial data, whereas financial investigators are generally pressed for knowledge of human trafficking operations (OSCE, 2014). Traditionally, investigators have been more interested in the criminal activity itself rather than its financial bearings (Kruisbergen et al., 2016; Soudijn, 2014). The two are nevertheless inherently linked. As a consequence, creating synergies between human trafficking investigators and financial investigators is crucial in terms of assuring a comprehensive response (BE-E12; BE-E14). Efforts to combat human trafficking should not only transcend law enforcement bounds, but also national borders where needed (BE-E3; BE-E9). International cooperation is pivotal in connection with preventing displacement effects (Aronowitz, 2001) and confiscating criminal assets abroad (Kruisbergen et al., 2016; Savona & Riccardi, 2015). One should, however, bear in mind that, even though depriving a trafficking ring from its criminal proceedings can have a disrupting or disheartening effect, the low monetary threshold associated with starting a human trafficking operation implies that taking away financial resources does not necessarily serve the purpose of taking out these criminal organisations indefinitely.

The issue of trafficking in persons is in fact a composite of multifarious networks and manners of operating. Turning the tables on human traffickers, therefore, requires a tailored response (Efrat, 2016). Knowing when to wield the scalpel and when the elephant gun lies at the very heart of posing multifaceted solutions to an equally diversified problem (Shelley, 2010). Accordingly, the response to human trafficking should cover more of a nuanced approach than mere criminal prosecution (Davies, 2017; Efrat, 2016). In this context, a convenient point of entry is the interlacing between upper- and underworld. By means of dislodging criminal infiltration of the licit economy, financial investigations present opportunities for disrupting criminal organisations beyond asset recovery (Brown, 2013; Roudaut, 2011).

## LIST OF INTERVIEWEES

Respondent code	Position/Department	Institution/Role
BE-E1	Head of Central Human Trafficking Unit	Belgian Federal Police
BE-E2	Head of Human Trafficking Directorate	Inspectorate of the National Social Security Office, Belgium
BE-E3	Strategic Analyst	Belgian Financial Intelligence Processing Unit (CTIF-CFI)
BE-E4	Head of Human Trafficking Unit	Inspectorate of the National Social Security Office, Belgium
BE-E5	Policy Analyst	Federal Migration Centre Myria, Belgium
BE-E6	Head of Prostitution Unit	Belgian Local Police
BE-E7	Legal Expert	Specialized Reception Centre for Victims of Human Trafficking, Belgium
BE-E8	Labour Prosecutor	Public Prosecutor's Office, Belgium
BE-E9	Labour Prosecutor	Public Prosecutor's Office, Belgium
BE-E10	Labour Prosecutor	Public Prosecutor's Office, Belgium
BE-E11	Public Prosecutor	Public Prosecutor's Office, Belgium
BE-E12	Head of Human Trafficking Unit	Belgian Federal Police
BE-E13	Public Prosecutor	Public Prosecutor's Office, Belgium
BE-E14	Head of Asset Investigation and Recovery Unit	Belgian Federal Police
BE-E15	Strategic Analyst	Belgian Financial Intelligence Processing Unit (CTIF-CFI)
BE-E16	Labour Prosecutor	Public Prosecutor's Office, Belgium
BE-C1	Criminal Entrepreneur	Souteneur
BE-C2	Criminal Entrepreneur	Employer
BE-C3	Criminal Entrepreneur	Souteneur

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# FINANCING OF TRAFFICKING IN HUMAN BEINGS IN BULGARIA

Trafficking in human beings (THB) for the purpose of sexual exploitation is considered one of the largest Bulgarian criminal markets since the beginning of the new millennium (CSD, 2012). After the lifting of Schengen visas for Bulgarian nationals in 2001, Bulgaria became a major country of origin for the trafficking in human beings exploited in the EU. The existing research on THB and prostitution in Bulgaria indicates that these criminal activities not only generate huge incomes for Bulgarian organised crime but also have detrimental social and economic impact on local communities (Bezlov et al., 2016, CSD, 2007, CSD, 2012). The victims of THB in Bulgaria are mainly women trafficked for sexual exploitation, but other enduring criminal networks involved in trafficking for forced labour, sham marriages, forced begging and pickpocketing have also been detected, as well as criminal networks involved in trafficking of pregnant women for the purpose of selling their new-born babies (GRETA, 2016).

Recognising the extent of the problem of trafficking, Bulgaria has expanded and sharpened its legislation during the last 15 years. Human trafficking was first introduced as a separate offence in the Criminal Code for the first time in 2002, following the ratification of the Palermo Protocol.<sup>1</sup> The new articles generally adhered to the definition laid down in the protocol and addressed both national and trans-border trafficking in human beings. However, in contrast to many European countries, Bulgaria criminalises trafficking irrespective of the consent of the victim, viewing the use of any special means such as coercion or the giving of benefits as aggravating circumstances (ПРБ, 2010). On the other hand, labour trafficking definition is strictly narrowed down only to instances of “forced labour”. Since their adoption, the Criminal Code articles have been amended and complemented in 2009 and 2013 to incorporate additional types of trafficking such as trafficking of pregnant women with the purpose of selling their new-born babies and trafficking for forced begging. The latest amendments were introduced as a result of the harmonisation of the Bulgarian legislation with the 2011 EU Directive on Human Trafficking.<sup>2</sup>

Since 2007, when Bulgaria and Romania joined the European Union, and especially since 2013, when the restrictions on the access of the two countries to the common EU labour market were removed, THB

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<sup>1</sup> Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime, adopted and opened for signature, ratification and accession by General Assembly resolution 55/25 of 15 November 2000.

<sup>2</sup> Directive 2011/36/EU of the European Parliament and of the Council of 5 April 2011 on preventing and combating trafficking in human beings and protecting its victims, and replacing Council Framework Decision 2002/629/JHA, OJ L 101, 15.4.2011.

related processes have undergone a significant transformation. The freedom to travel to and legally work in EU member states has barred criminal networks from controlling victims' access to the common European labour market, including that of sexual services. In addition, as European and Bulgarian law enforcement and judiciary bodies have stepped up cooperation with their counterparts on an international scale, criminal networks have become less likely to use violence against THB victims and, therefore, less efficient in recruiting new victims or exploiting already recruited victims. The socio-demographic changes such as the smaller number of children born after 1990 and migration towards big cities have also contributed to shrinking the pool of persons vulnerable to THB, as has the almost double growth of incomes even in smaller settlements in the post-accession years (Bezlov et al., 2016).

The criminal networks evolved also in their attempt to adapt to the changing environment, going through several stages shaping their characteristics. The **first period** of criminal networks' development began in the mid-1990s when the trafficking of women for sexual exploitation was strongly linked to the domestic prostitution market. During this period, the large criminal syndicates of the so called "violent insurers"<sup>3</sup> turned the sex market into an important source of revenue, establishing control over supply through ownership of hotels, nightclubs and bars in major cities and resorts. Use of violence, often in extreme forms, was widespread (CSD, 2007).

With the lifting of Schengen visas, which marks the start of **the second period**, Bulgarian criminal organisations already established in some of the member states could dramatically expand their prostitution business. Initially, it was the big criminal players – local units of the so called "violent insurers" in Bulgarian cities – that made use of this opportunity. Later, some independent procurers and networks stepped in the cross-border trafficking as well. In this period, THB for sexual exploitation became the largest source of revenue for organised crime and Bulgaria, albeit a small country, became the second or third biggest country of origin for THB victims in a number of EU states (Bezlov et al., 2016, CSD, 2012).

The **third period** started after the initial post-accession period (2007 – 2009). Bulgarian criminal networks rapidly adapted to changing conditions. Patterns for controlling THB victims started to rely primarily on non-violent methods and economic inducement. The big criminal syndicates were largely replaced by loose networks with flexible arrangements and frequently changing composition of actors, although hierarchically structured organisations did not disappear. On the other hand, sex workers in the different EU member states became less and less dependent on organised crime infrastructure and logistics (Bezlov et al., 2016).

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<sup>3</sup> The so called "violent insurers" or *grupirovki* were the first powerful organised crime groups in Bulgaria, which emerged in the early 1990s and started their criminal activities with a wide use of violence and extortion. Most of them established private security and insurance companies as fronts for their extortion. Subsequently, most of them developed extensive crime portfolios including drug distribution, prostitution, contraband, etc.



Given the overwhelming prevalence of the trafficking for sexual exploitation in Bulgaria, the analysis below focuses exclusively on this type of trafficking inside and outside the country. The THB for sexual exploitation is deeply interwoven with the domestic and foreign prostitution markets and during the collection of data and its analysis it became apparent that it is almost impossible to distinguish between these two phenomena. Much has been written on the problem of trafficking in human beings in Bulgaria. However, one of the least explored aspects of this nefarious phenomenon remains its financial aspect, as well as the business models of the criminal groups behind it. The current report examines in detail the initial capital needed to kick-start or expand trafficking business, costs and profits related to this criminal activity, settlement of payments between the different criminal actors involved and the investment of proceeds. The report draws on review of publicly available data and reports, 23 interviews with traffickers and victims of trafficking and 19 interviews with law enforcement officers and prosecutors.<sup>4</sup> The full list of the respondents is provided in the end of the report. The data has been additionally complemented with an analysis of court cases and media reports.

## 1. MARKET OVERVIEW

According to the Prosecutor's Office of Bulgaria, 90% of the victims of trafficking for the period 2005 – 2016 have been female (ПРБ, 2017). Trafficking for labour exploitation is the second most common type of THB, but it is significantly less common, with only 12% of pre-trial proceedings in the period 2011 – 2015 dealing with this type of trafficking (GRETA, 2016). The data from Bulgaria corresponds to the Europol assessment for EU countries whereby organised crime groups (OCGs) involved in THB for purposes other than sexual exploitation is about 10% (Europol, 2016).

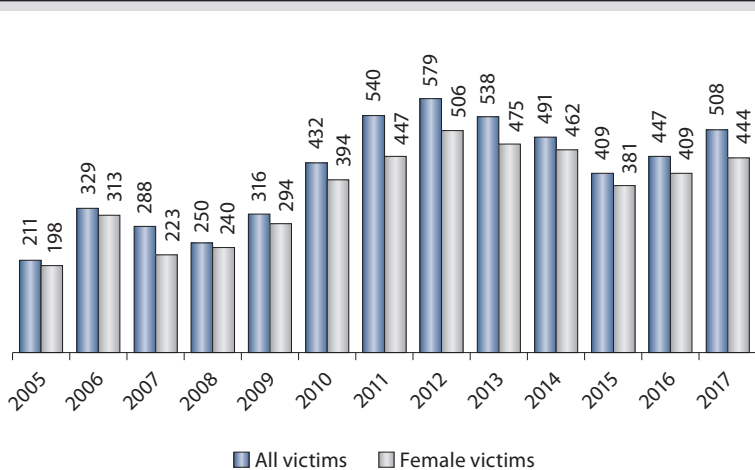
During the last 10 years, there were several attempts to estimate the number of sex workers and respectively the scale of both cross-border and domestic trafficking in human beings. The first assessment of cross-border THB estimated that the number of Bulgarian sex workers abroad was between 8,000 and 18,000 in the period 2003 – 2007 (CSD, 2007). The most recent estimates on the scale of cross-border trafficking referred to the period 2005 – 2009 and indicated that between 11,000 and 21,000 sex workers from Bulgaria worked in other EU countries and generated about €1.5 billion, which is roughly equal to 2.6-2.7% of the national GDP for the same period (CSD, 2012). Revenues of the domestic sex market also vary – according to the estimations in 2007, the number of sex workers in Bulgaria was 5,000 – 6,000 and the generated revenues amounted at €115-120 million (CSD, 2007). The more recent assessment estimated the internal market at EUR 123-205 million generated by 6,000 – 10,000 sex workers (CSD, 2012).

<sup>4</sup> The full list of the interviewees is provided in the references section. They have been coded in order to preserve their anonymity. The first two letters of the code indicate the country, "E" indicates an expert, while "C" means criminal entrepreneur.



However, public data from several EU member states reveal a dwindling number of victims from Bulgaria since 2012. The Dutch and German data on recorded THB victims indicate that the number of victims from Bulgaria in 2016 was 50% lower than in 2012 (Nationaal Rapporteur, 2017). Similarly, the German data shows that the number of Bulgarian victims of THB for sexual exploitation have decreased by 49% in 2015 compared to 2012 (BKA, 2016). At the same time, the number of victims identified by the Bulgarian authorities remains stable (see Figure 1). According to the latest GRETA report, for the period 2011 – 2015 the number of victims of domestic trafficking in Bulgaria is roughly equal to the number of victims of cross-border trafficking (GRETA, 2016).

**FIGURE 1. VICTIMS OF TRAFFICKING INVOLVED IN PRE-TRIAL PROCEEDINGS, 2005 – 2017**



Source: Prosecutor's Office data.

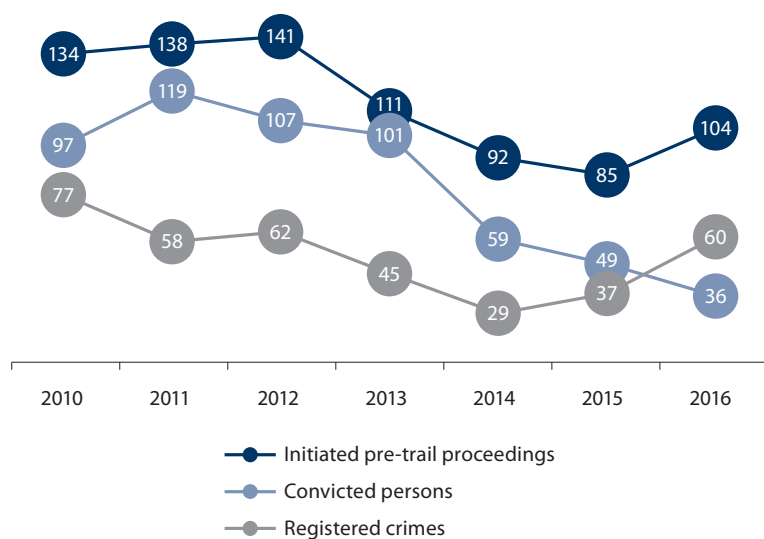
However it should be noted that domestic trafficking and cross-border trafficking are interlinked and in many cases appear to be simply stages of one and the same criminal activity (CSD, 2007, CSD, 2012, Риск Монитор, 2010). Often, following the recruitment, the victims are initially exploited within the country. Common destinations for newly recruited victims are Sofia, Varna and Bourgas or some of the summer or winter resorts depending on the season. At a later stage they are trafficked and exploited abroad, but their traffickers periodically return and exploit them at home as well. Nevertheless, due to the

increasingly easier access to the sex market in the EU, a growing number of victims start working abroad, without prior exploitation at the domestic prostitution market (see next section for further details).

At the time the interviews for this report were conducted, the number of THB victims was deemed to be on the decline judging from the observed significant decrease in the new investigations initiated by the Prosecutor's Office. The number of the new proceedings plummeted from 141 in 2012 to 85 in 2015, although slightly increased to 104 in 2016 (ПРБ, 2013, 2017). However, closer examination of the factors behind this suggested a somewhat different dynamic. Apparently, several factors related to law enforcement institutions have contributed to this significant drop in the investigations in the last 5 years. In 2013, the Directorate General Countering Organised Crime (GDCOC), the agency most actively involved in THB investigations, was merged with the State Agency National Security (SANS). The internal reorganisations after the merger led to the suspension of a number of cases, the dismissal and retirement of many senior officers experienced in THB. Two years later GDCOC was reinstated as a specialised Ministry of Interior (MoI) directorate, but its staff was

cut by half and many of its regional units have not been re-established and thus their overall number was reduced from 28 to 12. Some of the regional directorates that ceased to exist used to cover regions with a long tradition in the trafficking in human beings. Cities such as Pazardzhik, Dobrich, Razgrad, Pernik, Yambol, Shumen, etc., currently do not have any local units dispatched, despite the large number of victims and OCGs involved in THB. Moreover, most of the current GDCOC's regional units are understaffed and often only a single officer is responsible for tackling THB (BG-E12, BG-E14, BG-E20, BG-E23, BG-E24).

**FIGURE 2. REGISTERED CRIMES, PRE-TRIAL PROCEEDINGS AND CONVICTED OFFENDERS FOR THB, 2010 – 2016**



*Source: Prosecutor's Office annual reports, Mol annual statistics (2010 – 2017).*

Another institutional setback identified during the data collection was that in 2012 all organised crime investigations were removed from the remit of the regional prosecutor's offices in order that the newly established Specialised Prosecutor's Office takes over them. One of the unintended consequences of this institutional reform was that it disrupted the close cooperation between GDCOC officers and prosecutors on regional level. In order to have sustained working collaboration with the Specialised Prosecutor's Office, GDCOC officers from remote regional directorates would need to commute to Sofia or vice versa – prosecutors would need to visit them on a regular basis. For this reason, many

GDCOC officers from the regional directorates refrain from initiating investigations and transfer them to the local criminal police units. Practically, after 2012 regional GDCOC units rarely start investigations on their own initiative. They typically work on investigations initiated by the agency's headquarters or by foreign police services in which local cooperation is needed. Most of these investigations are about offences committed abroad and the effort invested by the Bulgarian units is rather limited. The local criminal networks, and in particular those that effectively control their victims, thus operate unobstructed by Bulgarian law enforcement institutions (BG-E12, BG-E14, BG-E20, BG-E23, BG-E24). According to the law enforcement officials interviewed, all cross-border investigations are handled directly by GDCOC's headquarters in Sofia. Thus regional units are not in a position to develop local capacity and expertise and have limited access to the respective operational intelligence about the cases they work on (BG-E12, BG-E21, BG-E24, BG-E25).

## 2. MARKET STRUCTURE AND SOCIAL ORGANISATION OF TRAFFICKING NETWORKS

Once extensively controlled by organised crime and practically cartelised in all big cities and resorts, the prostitution market in Bulgaria is now rather fragmented and decentralised. Similar tendencies have been reported for cross-border trafficking (Bezlov et al., 2016, CSD, 2012, Стойчев, 2016). Despite the fragmentation of the prostitution market and the increased share of independent actors, the human trafficking business in the country and abroad still remains largely controlled by Bulgarian organised crime. Since the 1990s, no criminals from other nationalities have ever had noticeable presence in the country or played any role in cross-border trafficking. Generally, the following profiles of sets of actors can be distinguished: hierarchically structured organisations; loose networks of collaborating independent traffickers; family/clan-based organisations; independent traffickers (Bezlov et al., 2016, Petrunov, 2014).

The **hierarchically structured organisations** are usually remnants of the formidable violent entrepreneurship syndicates that emerged in the early 1990s also known as *grupirovki*, as well as robust regional criminal organisations that emerged in the beginning of the 21<sup>st</sup> century (CSD, 2007). Unlike their predecessors, nowadays these organisations rarely resort to violence and instead extensively use legal business structures as a cover up for their operations and various soft methods to control the sex workers (BG-E5, BG-E19). Their structure has a great deal of specialisation and separation of specific functions and roles among members. Depending on the sophistication of the organisation, the specific roles might include one or several of the following – organisers (“the boss”), recruiters, drivers, money collectors, bodyguards/enforcers, supervisors, money carriers and straw persons acting as legal business owners (BG-E5, BG-E11). They can also have 3-4 layers of control between the ultimate organiser, or boss, and the sex workers. Before 2012, several such groups have split and cartelised the market in Sofia and in some of the big regional cities and resorts and operated the so called “chains” of brothels and sex venues (BG-E5, BG-E6).

The accession of Bulgaria to the EU in 2007, the targeted law enforcement pressure on the market in the period 2010-2012, and the increasing use of information and communication technologies (ICT) in the prostitution markets have to a large extent reduced the opportunities for cartelisation and control over the prostitution markets. Whereas in the past these organisations were exerting control on the access to the market by coercion and enforcing protection fees to all independent actors, nowadays they would rather contract the sex workers as employees and exert control through the use of market mechanisms, such as providing access to profitable locations or venues, and securing protection against rival competition and police authorities (BG-E17, BG-E25). Other similar arrangements include striking deals with independent traffickers for granting access to their locations or venues for a fee. The fee may include advanced payment and a commission based on the earnings of the sex workers, who are allowed to work in their venues. Depending

on the size and sophistication of the organisation, its leaders might have invested in venues both in Bulgaria and abroad, while other have opted only for a single venue either in Bulgaria or abroad (BG-E11, BG-E21).

The **loose networks** usually comprise of several independent traffickers, wherein each of them independently recruits women from Bulgaria or elsewhere, as a rule with their consent, and secure a location for them. Each procurer would also provide his sex workers with protection from violent clients, secure lodging and clients, arrange residence permits, licenses and resolve other administrative issues. Lately, traffickers have even been communicating with clients online, mostly via social networks. To ward off competition, the procurer resorts to his network of friends and compatriots. Under this modus operandi, each trafficker takes care of all aspects related to the business and this allows him to recruit two or three girls at a time. There are also some examples of procurers managing 3-4 girls in different EU countries who are not aware of each other. When looking for new girls, he entrusts guardianship over the prostitute to friends from his network and returns the favour when asked by another network member (BG-E20, BG-E27, and BG-E29). Procurers often marry the prostitute to avoid getting involved with the police (BG-E5). However, this type of arrangement works out rarely as conflicts often arise among traffickers, since competition for better venues and high-earning sex workers is fierce (BG-E19, BG-E20).

**Family/clan based organisations** are typical for traffickers from the Roma community, where usually members of the organised crime group are part of the extended family. The structure usually follows the familial links with an elder authority at the top of the organisation and specific tasks divided between the members of the family. These organisations usually traffic women from the same ethnic group and even other family members. In some cases, they also resort to buying women from other groups or networks (BG-E5, BG-E11, BG-E13, BG-E14).

The **independent traffickers** are usually a couple (married or not) or a trafficker with 2-3 sex workers, who operate as a family/small business. The women solicit customers and provide sexual services, while the men provide protection and facilitation. Independent traffickers do not share their earnings with some criminal organisation but may pay a fixed fee to them in order to obtain the right to work at a particular location. Thus they keep all the revenues for themselves, but risk extortion demands and violent assaults from other competitors or being reported to local authorities as there is no group or network to protect them (BG-E17, BG-E26).

All types of trafficking organisations use the same strategy to reduce risk of detection and apprehension by the police, which involves acquiring consent of the exploited women and pre-negotiating the division of their earnings, using violence in exceptional cases, and often posing as their friends or spouses. On the other hand, the collected data indicates that criminal networks involved in trafficking offer sex workers both economic and safety advantages. Women who try to work on their own appear to be more likely to become victims of violent incidents or to earn less

because of their limited access to profitable locations in central and western Europe where demand for sex services is high (BG-E19, BG-E22).

#### *Structure of the domestic sex market*

The extent of involvement and modus operandi of these sets of trafficking actors both at the domestic prostitution market and the prostitution markets abroad varies among the different market segments. The domestic prostitution market in Bulgaria can generally be divided among three main segments – outdoor, indoor and high-end prostitution (Bezlov et al., 2016, CSD, 2012). The market segments can be distinguished based on the place where the sex services are provided, the price range, and the clientele. Similar division can also be applied to the prostitution markets abroad, although the price brackets differ from country to country.

The lowest market segment in Bulgaria is **outdoor prostitution**, which comprises of sex workers who offer sex services mostly in public, open spaces. One group focuses on frequented places in big cities such as railway and bus stations, bridges, shoddy hotels, byways and side alleys parallel to main streets. Some of them migrate to the outskirts of resorts during the tourist seasons. The second group works along highways, main roads and the roads close to border crossings, mostly at parking lots, motels, crossroads and the like. Their main clients are truck drivers. The prices of both groups are rather low, ranging from BGN 10 to 30 (€5-€15) per client. Depending on the locations, prostitutes can service from 3-5 to 10-20 clients daily. The sex workers in this segment are recruited from various socially disadvantaged groups, mostly from Roma neighbourhoods (CSD, 2007; Стойчев, 2016). Each neighbourhood serves as a supply source for a particular region in Bulgaria. Other such pools are heroin addicts, young women raised at institutions or extremely poor families.

This segment is mostly occupied by the family-based organisations from the Roma ethnicity, as well as some independent traffickers. In the past, some hierarchically structured organisations that strived to monopolise or at least cartelise the prostitution market in their cities were imposing protection fees on the procurers operating in this segment for the right to operate at a given location. Currently the practice for levying protection fees continues, although monopolies and oligopolies at prostitution markets in the capital and in the regional cities ceased to exist. This niche is taken over in some regions by poly-criminal organisations that are involved in a variety of other criminal activities such as drug dealing, extortion, human smuggling, etc. Procurers and the sex workers are usually charged a set fee, which has ranged from BGN 20-30 (€10-€15) per day to BGN 100-200 (€50-€100) per week at different times (BG-E19, BG-E22).

The largest number of sex workers operates in the **indoor prostitution segment**, which can be provisionally divided in several substrata. The bottom one is occupied by the so called “apartment prostitution” named after the habitual locations where sex services are preformed – rented



flats on the first floors of residential buildings. Prices vary depending on the town from BGN 60 to 100<sup>5</sup> (€30-€50) per hour of standard sex. VIP or escort clubs occupy the next substratum at which prices are higher and control over prostitutes is more lenient. The segment also includes the escort services. The average prices range from BGN 100 to 150 (€50-€75) per hour of standard sex. The most luxurious substratum comprises erotic bars and adult clubs. Sex workers at such erotic bars take in additional revenue in the form of soliciting drinks from customers and dancing. The owners of such venues as a rule pre-select the sex workers before contracting them and tend to regularly replace them with new ones. Standard sex average prices range between BGN 300 and 500 (€150-€250) per hour.

Brothels and other sex venues are usually located in big cities, although other popular locations are resorts and border towns. Part of the sex workers who work in the biggest cities migrate to coastal resorts from June to September and to mountain ones from December to March. Usually owners of sex venues in some of the big cities also keep such venues at the resorts, so the sex workers are moved from the big cities to the resorts and back. Border prostitution in towns such as Svilengrad at the Turkish border and Sandanski and Petrich near the Greek border also takes place predominantly in various bars and hotels and the clients are predominantly foreigners.

The sex venues have their own internal rules and the workers that breach them bear financial penalties. The number of sites belonging to the indoor prostitution segment in Sofia, for example, has varied throughout the years depending on the demand for sex services and the extent of law enforcement pressure over criminal groups. The number of flats and clubs in Sofia, for instance, has ranged between 100 and 300, of VIP clubs from 20 to 30, and of erotic bars from 10 to 20 (BG-E19, BG-E22).

This market segment is dominated by hierarchical groups, who usually invest in sex venues at lucrative locations – in the city centre of Sofia or some of the big cities, as well as in the coastal and mountain resorts. However, in the period 2010 – 2012 the controlled chains of apartment brothels in big cities disappeared giving way to independently working (mostly in pairs) prostitutes renting their own living space, increasingly offering their services online, and occasionally paying criminal networks security fees to guard them against possible threats from clients. Many independent procurers have also started to operate in this market segment running apartments with their own sex workers or providing call girl services with extensive use of online advertising. Hierarchical groups used to levy protection fees on such actors in the past but after 2012 a significant number of independent procurers ceased paying for protection. The attempts to re-establish monopoly over certain markets, e.g. Varna, have not succeeded due to law enforcement pressure and resistance from the other local groups (BG-E12, BG-E18).

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<sup>5</sup> These prices are given as an example but in the last couple of years prices have consistently increased countrywide.



The **high-end prostitution** market segment accommodates various legal business structures that are used as cover for offering exclusive sex services. Typical businesses used in this market segment include fashion, model and advertising agencies, as well as talent managing companies working with dance troupes and pop folk performers. These bogus fashion agencies hire young women as models under a permanent or temporary contract to participate in fashion shows, advertising campaigns, TV shows, product promotions, movies, magazine photo sessions, etc., for a particular fee. However, many of the women are enticed to perform sex services and thus the line between their duties as fashion models and escorts becomes blurred. The price of sex is BGN 1,000 (€500) and over, but as collected data indicates, the financial side is often less important for the criminal organisations compared to the opportunity to influence the political and business elites in Bulgaria. This segment is also dominated by hierarchical organisations, which in many cases also have presence in the indoor segment (BG-E6, BG-E12, BG-E18).

#### *The organisation of the cross-border trafficking*

The structure and functioning of the cross-border trafficking closely resembles the domestic prostitution market. Street sex workers would be commissioned to work on selected streets, parking lots and open spaces in large European cities. Sex workers in the indoor segment are exploited in a variety of sex venues such as brothels, hotels, sex clubs, bars and windows, and the like after traffickers negotiate access with the respective owners or criminal organisations that controls them. Criminal organisations operating at the high-end prostitution level solicit foreign clients during the modelling agencies' tours abroad, usually in neighbouring countries such as Greece and Turkey, more exclusive destinations such as Dubai, and less often in Italy and France. Subsequently the sex workers are secured engagements in thematic or weekend parties, and business conferences (BG-E19, BG-E22).

Some of the big hierarchical organisations operate both at the domestic and foreign prostitution markets. However, the regional trafficking networks in most cases do not have presence at the domestic market, but prefer to organise only cross-border trafficking to EU countries, Switzerland or Norway. They recruit sex workers from the towns they are based or the nearby smaller towns and commission them to particular European cities. Criminal organisations and networks from Bulgarian cities such as Sliven, Pazardzhik, Stara Zagora, Haskovo, Pleven, Ruse, Dobrich, Vidin, etc., have established trafficking channels to Brussels, Strasbourg, Rotterdam, Oslo, Cologne, Vienna, Valencia, Rome, Koblenz, etc. To escape dependence and payment of protection fees, the regional procurement networks operate independently from the big hierarchical organisations, when supplying sex workers to the EU (BG-E20, BG-E29).

The big hierarchical organisations with established presence on the domestic market, on the other hand, have a different business model that guarantees better control over the sex workers. The newly recruited women first work in some of the bigger Bulgarian cities or resorts and after proving their loyalty and accountability are commissioned to more

profitable locations abroad (BG-E19, BG-E27, BG-E29). The sex workers periodically return to work back in Bulgaria upon completion of a certain period or whenever some problem arises (e.g. extortion demands from other criminal groups, conflicts with competitors, police operations, etc.). In contrast, the sex workers trafficked by the regional networks would usually have between-jobs spells at home or sometimes work at a brothel owned by the group with domestic presence.

As the interviews suggest, the opportunities of the Bulgarian traffickers to participate in the EU sex market and specifically in the outdoor and the indoor segment have widened with time. At the start of the century the newly formed regional hierarchical groups and loose networks would stick to a certain European city or region, which they get to know well and subsequently they started to expand to new cities, thus doubling the number of trafficking destinations in recent years (BG-E19, BG-E21). Whereas in the past, a few big organisations and networks controlled the trafficking channels, currently various trafficking organisations started to invest abroad in order to exert direct control of the victim's workplace by purchasing/renting sites such as bars, restaurants, hotels, night clubs, windows, escort websites, escort companies, etc. This strategy involves establishing of legal business structures as a front of their operations and along with the advantages of enhanced form of control over the victims, it also offers them the opportunity to better shield their activities from police scrutiny (BG-E19, BG-E22).

### 3. FINANCING AND FINANCIAL MANAGEMENT

#### 3.1. Source of capital for initiating/sustaining criminal operations. Access to capital in critical moments

Many of the interviewed traffickers and sex workers in the present study claim that no initial investment is needed to enter the market of THB for sexual purposes (BG-C13, BG-C14, BG-C17, BG-C20, BG-C3, BG-E9). However, entering the prostitution market can have different forms – from simple procuring of a victim to a close circle of acquaintances to securing a profitable location in some brothel abroad. While the former may not bear any financial costs, the latter appears to require initial investments. For example, some of the interviewed offenders mention that in the indoor segment securing access to a profitable location for a sex worker in Bulgaria can cost from €1,000 to €3,700 (BG-C3, BG-C7) and abroad from €2,000 to €4,000 (BG-C4, BG-C7).<sup>6</sup> In addition to that they also disclose costs for recruitment, transportation and lodging. Certainly larger investments are needed if a trafficker aims at becoming an owner or manager of a brothel or other sex venue. For example, one of the interviewees indicated that the rent of an adult club at the Bulgarian coast for the summer season amounts at €60,000, due

<sup>6</sup> The quoted sums are requested as advanced payments for renting a place. The period of renting can vary from three months to one year.

in advance (BG-E3). More profitable establishments in western Europe certainly cost a lot more; for example, one of the interviewed police officer reported that a trafficker invested one million euros to purchase an adult club in Spain (BG-E21).

Collected data indicates that in many cases social ties and networks are being converted into quantifiable value, whereby initial capital for a market entry, or a market expansion is loaned to the newcomer from actors who are already established in the trafficking for sexual exploitation, be it friends or extended family members (BG-C10 and BG-C7 for expansion; BG-C2 for entry). Accounts of social ties, connections, friends and extended family that factor in the genesis of human trafficking endeavours abound in the data collected from the respondents. At least three instances reveal that being part of the wider network of traffickers for sexual purposes exposes the members to opportunities for lines of quick credit with preferential interest rates when borrowing from “colleagues” (BG-C8; BG-C6 BG-C5). Being connected to people in the business, which entails trust and mutual assistance for starting up appears to be a crucial element in facilitating initial expenditures and diminishing or removing altogether barriers to market entry. The prevailing model for starting up is epitomised by a statement from one of the respondents that highlights the importance of social networks and social capital: “if you have a girl ready to go right from the start, every trusted person will help you out” (BG-C10).

In this regard collected data is in line of the existing literature on the importance of social capital for a market entry. Whereas opportunities for most conventional crimes are countless, the sophistication of its activities makes organised crime opportunities less evident. Therefore, the market entry barriers for organised crime are far greater than most general crimes, and operations require close cooperation between offenders (van Koppen, 2013). Cross-border trafficking of human beings often involves complex processes of coordination, whereby finding suitable co-offenders requires building of sufficient trust. Therefore, organised crime offenders in human trafficking use social ties and networks to establish trust before any cooperation and collusion takes place (van Koppen, 2013; von Lampe & Johansen, 2004). Social relations and network dynamics ensure that the recruitment of new offenders and the creation of new partnerships are not the same as traditional models claim. Family, friends and acquaintances work together and are the base of criminal entrepreneurship and expansion (Kleemans & van de Bunt, 1999).

The observed differences in the **source of initial capital** appear to be contingent on the type of market entry, i.e. independently or through an already established network or criminal organization, as well as on the type of market segment – outdoor, indoor and high-end. Independent traffickers may need to raise initial capital to secure access to clients (e.g. place on the street or in a brothel, window in a red light district, etc.), logistics (e.g. transportation, lodging, work permit, etc.) and visual make-over of the trafficked person, e.g. high-end clothing, accessories, cosmetics, hair and body care, etc. Some of them initially start in

Bulgaria and re-invest the generated proceeds to fund cross-border trafficking (BG-E4).

Criminal entrepreneurs joining established trafficking networks or organisations do not need to cover all these cost by themselves, since the network or the group grants the access to these assets or at least they may receive initial capital for related expenses through the network or from the boss of the group. The investment is then repaid from the sex worker's earnings (BG-C10, BG-C1). Nevertheless, joining an established network requires the newcomers to prove they are trustworthy and accountable. This is also indicative that market entry for prostituting girls and women is heavily contingent of social connections and networks. Among the possible sources of start-up capital mentioned by the interviewed respondents were borrowing money from friends, family and relatives (BG-C11; BG-C12; BG-C13; BG-E1); revenues from legal business (BG-C10), proceeds from another illegal activity (BG-C16; BG-E14) and loans from usurers (BG-C7).

Joining an established trafficking/procuring operation provides a number of advantages for both sex workers and pimps. Networks and groups have more available capital which can be channelled to serve different purposes as needed, such as recruitment activities, transport and accommodation abroad, as well as connections and a line of credit in case of urgencies. The advantage is most noticeable with regard to recruitment and starting costs. Apart from everything, starting an independent operation entails a number of risks. Independent sex workers are vulnerable to violent or fraudulent customers or to networks or groups trying to subdue them to their control. Procurers and traffickers not part of a group also have less resources and therefore have to carry out all activities associated with the business. Independent pimps and traffickers thus often choose to have or appear to have a limited number of sex workers under their control (up to 3) as with more women "the problems are bigger and are related to more costs" (BG-C20, BG-C11, BG-C12).

Borrowing money is also a tactic used to weather out difficult moments. However, borrowing from loan sharks is considered as highly risky due to the exorbitant interest rates and both pimps and sex workers try to avoid it. Generally, traffickers prefer to settle such situations through borrowing from other members of their network (BG-C3, BG-C13, BG-C20). Sex workers appear to have a broad creditor base, that includes pimps, colleagues and in some cases clients (BG-C16, BG-C23). There is a general arrangement that there are loan options for persons in the trafficking business with more favourable interest rates than those of loan sharks. The interest rates for such intra-industry/network lending are 10-20% (BG-C5, BG-C6, BG-C8). Rates may still be higher in cases of a novice who is yet to prove trustworthy.

### 3.2. Settlement of payments

Data indicates that there are various modes for the settlement of payments within the trafficking network and with outside actors, wherein the sole common denominator is the pre-eminence of cash transactions. Most payments are done in cash – clients pay cash to sex workers (variably before or after the service) and the money is subsequently transferred to the higher levels of the organisation in cash as well (BG-C1, BG-C10). Women report and account for their earnings to pimps “day by day” (BG-C6, BG-E19, BG-C4), often via coded messages through messaging services (BG-E17). Sex workers may receive their shares periodically in cash by their traffickers/procurers or trusted persons (BG-C3). Cash proceeds are then usually transferred up the chain through trusted payment facilitators, which appear to be insiders rather than the typical money mule (BG-C10). Exceptions do exist as sometimes clients can pay for sexual services via bank transfer/credit card, whereby such payments are registered as a legitimate service, e.g. massage. This is particularly the case when trusted clients based in western European states order services from sex workers that may be currently based in Bulgaria. The wired money is used for travel and advance payment for the services (BG-C5, BG-C16).

It should also be noted that in the domestic indoor and high-end prostitution segment, many sex workers have also fictitious contracts as office assistants, masseuses, waitresses, hostesses, barmaids, exotic dancers, receptionists, hotel maids, etc. The contracts are usually signed with bogus companies and fixed at minimum wage and for minimum working hours. However, they will still receive payments under these contracts and all respective social and healthcare contributions will also be covered. Some respondents report that they receive these payments via bank transfers (BG-C4, BG-C9). In this way the traffickers try to conceal the true nature of their activities and not raise suspicion in the law enforcement and other regulatory agencies (BG-E3, BG-E9).

Procurers and traffickers transferring profits from abroad may use money transfer services, such as Western Union (BG-C1). However, they will take a number of precautions, such as using intermediaries (money mules) to withdraw the money and deliver the amounts to the intended recipients (BG-C10). Western Union is also a preferred method for sex workers, who send small sums to their families (BG-C7, BG-C8, BG-C9). Another method for sending money to Bulgaria is through van drivers servicing routes from Bulgaria to western Europe, some of which may be part of other – irrelevant to sex – trafficking and/or smuggling networks, e.g. cannabis from the Netherlands (BG-C7, BG-E1, BG-E8).

Procurers and traffickers may use trusted third parties for settling payments with facilitators outside of the networks such as club owners or corrupt police. There is at least one account that describes a more sophisticated system of settling transactions. In this case the trafficking ring-leader uses a multitude of bank accounts under his control, which are registered to dummy entities or shell companies in order to transfer



payments to external actors. The dummy accounts are employed on a rotating basis so as to avoid suspicion (BG-C1). Cash mules are also used, particularly for international payment settlements (BG-C10).

When operating abroad some traffickers are wary of getting directly involved in all payment settlement activities, as being seen around sex workers and in particular known clubs and hotels may arouse suspicion. Therefore, in some cases settlements with clubs and hotels are delegated to the women who transact directly with the owners of the establishments where sexual services are performed (BG-C13). Settlements in the domestic market seem to be conducted in cash directly between the trafficker, or trusted person, and the owner of the club/hotel where the sexual services are provided (BG-C1; BG-C20).

The high-end prostitution segment displays some subtle differences in the patterns of payment settlements. In many cases the pre-supposed exclusivity of sexual services performed by “models” and the parallel operation of the fashion agency as a cover business seem to keep a certain distance between the consumer and the sex worker, particularly in the financial flows. The contacts between the customers and the clients are usually handled by a central figure inside the agency – the so called “booker.” The booker also often receives the payment directly or through trusted members of the network from the client. Therefore, in such cases the women would perform a pre-arranged and pre-paid service without coming into contact with money. Exceptions seem to be the case, wherein established and known clients pay directly to the sex workers (BG-E6).

### 3.3. Costs of doing business

Trafficking operations involve a variety of different costs at each stage of the process – recruitment, transportation and exploitation, wherein the last stage appears to be most cost demanding. Some of these costs are one-off and might be categorised as investment costs, whereas others are recurring and rather fall under the operational costs category. It should be noted that this classification is somewhat arbitrary, since the line between the two is blurred. The costs structure of trafficking operations varies depending on the modus operandi of the traffickers.

**Recruitment of new sex workers** in most cases entails an investment of both financial resources and time. Independent traffickers, family-based organisations and loose networks often employ the so called “lover-boy” method or similar strategies involving deceit and manipulation. This method includes courting, befriending and manipulating the potential victim by the recruiter into a relationship of trust (BG-C1, BG-C7, BG-C14). While traffickers often rationalise their actions as helping the women earn good money (BG-E11), different degrees of manipulation are involved. Aside from poverty, other vulnerability factors play an important role as well – dysfunctional family background, lack of experience with adult relationships, recent emotional trauma due to relationship break-ups,



and periods of stay in orphanages or other institutions for disadvantaged young adults (BG-C1, BG-C2).

In some instances, the process of trust-building may last up to nine or more months, thereby the lover-boy incurs sustained additional expenses (BG-C14). Very often recruiters identify and pick good looking women from poor backgrounds who can easily be impressed with a luxury lifestyle. The related costs in this sense include expenditures for restaurants, vacations, clothes and other gifts (BG-C1, BG-C7, BG-C14). On the other hand, to take advantage of the lover-boy routine in recruitment, the recruiter may increase the chance for successful manipulation by displaying a luxurious lifestyle, which includes an expensive brand automobile, branded clothing and accessories, an expensive smart phone and well maintained physique (BG-C10).

Hierarchically structured organisations usually pay to specialised members of the organisation to perform these activities or pay to external actors on fee-for-service base. Persons in charge of recruitment receive a specific sum per new recruit and a bonus if she does well. The sums reported were between €100-€250 and the bonus amounted at €500 (BG-C1, BG-C2, BG-C4). The money invested in recruitment activities are considered as running costs for the business and are covered out of the generated revenue (BG-C1, BG-C2, BG-C3, BG-C5, BG-C6, BG-C8, BG-C10). Still, in some cases, sex workers can be “acquired” without any direct financial cost – such as coercing or manipulating an independent prostitute to work for the network (BG-C1, BG-C2, BG-C4) or in cases where women seek out such employment themselves.

A common expense that is closely related to the recruitment stage are the costs for make-over and personal care of the newly recruited victims. Collected data suggests that these sums range from around €500 to €1,500, which is used for brand clothing, accessories, cosmetics and perfumery, among others (BG-C8, BG-C10, BG-C9, BG-C22, BG-C7). The sum varies, since it depends on the modus operandi of the traffickers. The outdoor segment is less demanding with regards to such expenses, whereas for the indoor and the high-end prostitution segments these expenses are integral. There are instances, wherein more expensive manipulations such as plastic surgery might be invested in for high-end sex workers (BG-C18).

**Transportation costs**, both domestically and abroad, apparently play a minor role for the operations of Bulgarian traffickers, since Bulgarian citizens are entitled to a visa-free travel in the EU and the costs of intra-community travel have significantly decreased with the advent of low-cost flights. At the domestic market, if the provision of the sexual service necessitates transportation to another location, it is either covered by the sex worker, or the procurer or is paid by the client on top of the price for the session. Procurers might enter into specific arrangements with taxi drivers or provide transportation themselves (BG-C17, BG-E3, BG-E6, BG-E10). Regarding the transportation costs in cross-border trafficking all interviewed respondents reported that these are usually covered by the traffickers.

The most substantial costs sustained by the traffickers are related to the **exploitation stage**. These costs include lodging, expenditures for client acquisition, monitoring and control of sex workers, protection, concealment of criminal activities, corruption, and facilitation of money laundering.

**Client acquisition costs** or in other words securing access to clients is one of the most significant costs for trafficking operations. Depending on the modus operandi these costs might include costs for acquiring access to a profitable location on the street, a window in a red light district or a place in a well-established adult club, brothel, and massage parlour. Online advertising costs and payments to taxi drivers, hotel porters or concierges for referring clients can also be generally put in this category.

Profitable locations in hotels, motels and clubs abroad and in Bulgaria are often controlled by hierarchically structured groups and access to these for other trafficking actors is usually granted upon certain fee paid in advance (BG-C1, BG-C4, BG-C19, BG-C20, BG-E17). Even if the location is not controlled by some organised crime group, traffickers and pimps have to pay the hotels, motels and various hospitality businesses in order to use their facilities for sexual services undisturbed (BG-C15, BG-C17, BG-C4). In some arrangements the fee is flat and irrespective of the prostitute's earnings (BG-C4), whereas in other cases, the hotel's owner or manager receives a fixed fee (in one of the cases €5 per client) for each client brought in the hotel (BG-C17).

Seasonal prostitution at hotels in resorts on the Black Sea coast seems to be characterised by strong competition, which drives prices up, while at the same time some hotel managers may require payment in advance for the prostitutes to work in a protected environment with access to clients. The fee for one prostitute to work in a Black Sea resort hotel may vary between €2,500 and €3,125 (or €125 per night for a beachfront hotel) per sex worker per month in advance (BG-C1, BG-C3). The closer the hotel is to the beachfront, the higher the fee (BG-C3). The fee for working in adult clubs is around €1,125 per sex worker per month (BG-C6). Different payment modalities exist, depending on the arrangement. In some cases, traffickers are required to pay a fixed fee upfront. This might be entry fee which is followed by a monthly or weekly payments (BG-C4). Alternatively, the lump sum covers stay for a certain amount of time – e.g. on seasonal basis (BG-C19, BG-E3). The amount differs depending mainly on the location and reputation of the establishment. Hotels and clubs in top Bulgarian summer resorts have been reported to cost BGN 4,000-7,500 (€2,000-€3,750) per month (BG-C1, BG-C3, BG-C4, BG-C7). Smaller Bulgarian hotels or motels which provide terrain by the hour for the outdoor segment of the prostitution market might charge as little as BGN 5-10 (€2.5-€5) per service (BG-C12, BG-C17).

Securing access to profitable windows, brothels, massage parlours and similar establishments in the red light districts of western European cities, where prostitution is legal, also often entails payment of fees in advance. Some of the respondents indicated that in order to secure placement

of a sex worker in such establishments traffickers have to pay a one-off fee of €2,000-€3,000 to an established broker who has been active in the business for a significant amount of time and possess the necessary social and business connections (BG-E17, BG-E6).

Another option for traffickers is to rent apartments or houses where the women can work, wherein costs vary depending on the location. According to one of the respondents, an apartment in Cologne, close to the red light district, rented for several girls to provide sexual services may cost around €550 per month (BG-C6). This option is more prevalent in the indoor and high-end prostitution segments, and may be used in both domestic and cross-border trafficking (BG-E3, BG-C6, BG-E6).

Finally, many trafficking organisations rely extensively on online advertising for solicitation of clients. Various websites, social platforms and online mobile applications are used to advertise the sex services. Online advertising may cost from nothing to a few euro per week, which is negligent compared to the fees for placement at brothels or similar sex venues. Thus, the sex worker can provide the sex services in any rented apartment, at the place of residence of the client or in any hotel. However, in high-end prostitution organisations, organisers may also invest in marketing their “models”, i.e. increase their popularity, hence marketability, through investing in professional photo sessions, magazine covers appearances, fashion shows, beauty pageants, among others (BG-E6).

Other client acquisition costs may also include payments to external facilitators that refer clients. There is evidence that in a Bulgarian summer resort, a trafficking network would pay €15 per secured client to taxi drivers, hotel porters and casino workers (BG-E30).

**Monitoring, supervision and control of sex workers** are the other type of costs associated with the exploitation stage, although they are not always easily quantifiable. These costs are primarily related to the strict accounting of the clients served and the due collection of the pre-agreed portion of earnings from the sex workers. In more coercive arrangements the tasks for monitoring and control also involve preventing the victim to run away or turn to the authorities. Depending on the complexity of the trafficking operation, these tasks may be performed by the traffickers themselves or by other trusted persons. Independent traffickers and members of loose networks often carry out these tasks by themselves (BG-C10, BG-C13, BG-C17), although in loose networks members could help each other from time to time (BG-C13). In family-based organisations usually one of the family members is tasked with this (BG-C14). In other words, they do not directly incur financial costs for this, although they invest personal time.

Hierarchically structured organisations usually have trusted persons that are managing the day-to-day schedule of the women, as well as the daily collection of the earnings. Use of such supervisors and money collectors also serves the purpose to conceal the direct link between the sex workers and the organisers of the trafficking operation. In Bulgaria the money that has been earned by the women is usually collected in

cash daily by the persons in charge of protection and transportation of women (BG-C1, BG-C2, BG-C3, BG-C4, BG-C6, Bg-C8, BG-C9, BG-C10, BG-C20). In the high-end prostitution segment, these tasks were carried out by the bookers, who are handling the contacts between the women and the customers (BG-E6). Different modus operandi is used by Bulgarian traffickers in western Europe, where this role is often assigned to some of the trusted sex workers (the so called “first girl”), the managers of the sex establishment where the victims are placed or the “madams” at the windows at red light districts in Belgium and the Netherlands (BG-C5, BG-C18, BG-C21, BG-C22, BG-C23, BG-E29). The amount of these costs remains somewhat unclear, although some of the respondents reported that the supervisors are paid a pre-agreed proportion from the earnings of the sex workers they look after (BG-E6, BG-C3, BG-C5).

Closely related to monitoring and control are the costs for **protection of sex workers**. Independent traffickers and family-based groups personally take care of the safety of the women and their earnings from abusive clients and rival competition (BG-C17). However, especially in the outdoor segment they are often subjected to protection racket by larger organised crime groups specialised in the use of violence (BG-12, BG-C14) and one of the interviewed offenders reported that he pays about €8 per night (or €60-€65 monthly) for each of his six workers working on the street (BG-C17).

Similarly, members in loose networks are responsible for the sex works they control but cooperate when they have to deal with rival competition. Rather rare are occasions, when they pay for protection to external persons (BG-C4). It should also be noted that, when traffickers pay for placement of their sex workers at brothels or other sex venues, the protection is included in the price or at least part of the pre-agreed arrangements. Hierarchically structured groups usually have members assigned with such tasks and, as mentioned above, they are often also responsible also for monitoring and control of women, money collection and transportation. Reportedly in such arrangements for every five to six sex workers there are two persons performing the day-to-day management, coordination, supervision and money collection (BG-C1, BG-C2). Most of the hierarchical groups also seem to retain within their ranks the so called “punitive brigades” that are part of the operating group and on the monthly payroll and are specialised in use of violence (BG-C7, BG-C10; BG-C18, BG-C19).

**Corruption costs** also generally fall into the category of cost of protection. Different trafficking actors make use of corruption to different degrees, corresponding to their specific needs. Corruption payments become much more necessary in cases of incidents, complaints by family members and initiation of investigations by the police and judicial authorities. Such payments are made either directly or through the help of intermediaries. Typical targets of corruption are law enforcement officers and to a lesser extent judicial authorities (Bezlov et al., 2016). Many respondents reported regular extortion fees imposed by police officers to outdoor and indoor sex workers and their procurers in Bulgaria (BG-C12, BG-C15, BG-C16, BG-C17, BG-C19).

**TABLE 1. EXAMPLES OF COSTS ASSOCIATED WITH STARTING AND RUNNING A TRAFFICKING OPERATION**

Cost type	Value	Notes
Make-over costs I	from €1,500	Hairdresser, brand clothing, accessories, cosmetics, etc.
Make-over costs II	€3,600-€4,500	Breast enlargement
Logistics I	from ~ €100	Airfare to a major western European city with a low-cost airline
Logistics II	from ~ €250	Fuel and one motel stop for circa 2,000 km
Logistics III	from ~ €120	Single bus fare from Sofia to major western European city
Rent	from €550/month	Multi-bedroom apartment in the red-light district of a major western European city
Interest rates I	10% to 20% per week	When borrowed from the wider trafficking network
Interest rates II	50% to 250% per week	When borrowed from a loan shark
Money transfer fees	€10-€100	Per transaction, depending on the amount sent
Advanced payment for placement of one sex worker in adult club	€1,125/month	Bulgaria, Black Sea resort, south
Use of a hotel room with a client per hour	€3-€5 per session	hotel, low segment, inner city
Advanced payment for placement of one sex worker in adult club (top location)	€7,500/season	Bulgaria, Black Sea resort, south
Advanced payment for placement of one sex worker in a hotel with access to clients	€2,500 to €3,125 per month	Bulgaria, Black Sea resort hotel
Broker's fee for placement of one sex worker at a red light district window	€2,000-€3,000/ per prostitute	Red-light district window of a major western European city, one-time fee
Hotel rooms rental (permission to do business)	€1,000 per week per sex worker	In major western European city, depending on the hotel
Protection fee (racket)	€2,500 per week per person	Hotel in major western European city
Red-light district window rental	from €500 per week	Red-light district (major Belgian and/or Dutch city)

**Source:** Interviews and authors' online research.

Hierarchically structured groups sustaining more sophisticated trafficking operations incur additional **costs related to the concealment of their activities** from the authorities. In the high-end prostitution segment such costs may include investing in elaborate schemes of legitimate business structures – appointment of straw persons for owners and managers, registering front businesses such as modelling or fashion agencies, and organizing model castings, fashion shows, advertising campaigns, among others (BG-E6). However, use of legitimate business structures is not limited to this segment. Criminal groups, which invest in and control adult clubs, massage parlours and similar establishments employ similar methods and register bogus companies with straw persons appearing as owners and managers. Women working in such adult clubs, hotels and other establishments have labour contracts as dancers, masseuses, office assistants or housekeepers (BG-C1, BG-C5, BG-C9). Using such legitimate companies as a front also entails a number of other costs typical for all normal legitimate businesses – office rents, accounting and legal services, utilities, staff salaries, etc. In recent years, trafficking networks that have established a foothold abroad also exhibit trends of attempting to use legitimate business structures through renting or investing in bars, clubs, restaurants and sex establishments in various western European cities (BG-E16, BG-17, BG-E19).

### 3.4. PROFITS AND PROFIT SHARING

As with the costs for doing business, the revenues from trafficking operations vary depending on the modus operandi of the traffickers and the market segment in which they operate. Prices for sex services fluctuate from one market segment to the other, as well as on the domestic prostitution market and abroad. Sex workers in the different market segments also tend to handle different number of customers. Furthermore, the profit sharing arrangements between the traffickers and the sex workers also vary depending on the modus operandi.

The prices in the domestic market are significantly lower compared to the prices abroad. The sex workers in the domestic outdoor segment, which work on the street or bring their clients in low-end motels or hostels, charge between €7–€15 depending on the service (BG-C12, BG-C17). Services in the indoor segment performed in clubs, hotels, rented apartments and private residences cost between €50 and €200. In summer and winter resorts the prices might go up to €200 per session. The high-end prostitution segment, which includes women procured to rich clients by model agencies can range from €300–€500 (BG-E6), depending on the length of sessions (e.g. 2-4 hours, overnight stay or weekend). Abroad, the prices vary in the different countries (e.g. prices in Greece are lower than prices in Germany) and depending on the location (e.g. window prostitution vs. call girl services). The prices in the outdoor segment are €30–€50 per session depending on the type of services provided (BG-C7, BG-C23). The prices in the indoor segment fluctuate significantly – from €50–€100 per hour for



low-end motels or hotels (BG-C1, BG-C4, BG-C11, BG-C16, BG-C22) to €150-€400 for red light district windows, rented apartments and well-placed hotels (BG-E6, BG-C6, BG-C7, BG-C8). Prices of high-end sex workers abroad start from €400 up to €3,000 but they also have longer engagements – e.g. over-night stay, weekend, etc. (BG-C9, BG-C18). Regular customers can receive discounts on sex services, usually about 5% (BG-C5, BG-C9).

Sex workers in different market segments also handle different number of clients. Whereas a sex worker in the outdoor segment will handle 7-20 clients per day (BG-C7, BG-C8), clients in the indoor segment are usually between two and six men per day (BG-C4, BG-C6, BG-C7, BG-C20). High-end escorts work with between one and six clients per week (BG-E6, BG-C9, BG-C18). The women usually work five-six days per week (BG-C16, BG-C19, BG-C23). The number of clients fluctuates from sex worker to sex worker but also depends on a number of other factors – location, day of the week, season; therefore, traffickers are constantly looking for more profitable locations or better performing sex workers. Nevertheless, according to the accounts of several interviewed traffickers operating in the indoor segment abroad, the **average monthly revenue from a sex worker is in the range of €15,000-€45,000** (BG-E8, BG-C1, BG-C3, BG-C4, BG-C7, BG-C9).

Revenue sharing arrangements differ depending on the type of the trafficking organisation and the modus operandi of the traffickers. Independent traffickers and family based groups more often tend to withhold all earnings from the sex workers under different pretexts – either because the trafficker and the victim have some kind of intimate relation and he pretends to look after the “family money,” or because the traffickers pretend to collect and safeguard the money on behalf of the victim until she returns to Bulgaria (BG-C14, BG-C15, BG-C21, BG-C22, BG-C23). In many of these cases deception, manipulation, coercion and even physical violence against the victim are also used by the traffickers. The procurer in this case will cover all costs of the trafficking operation from the earnings of the sex workers and keep the profit for himself.

Hierarchical groups and loose networks as a rule employ less often coercive methods and pre-negotiate the split of the revenues with the sex workers. The interviewed respondents reported different proportions of earnings, which the sex workers are allowed to keep. The share of earnings remaining in the sex workers oscillated between 20% and 50%. Most respondents report that the traffickers are supposed to cover all related expenses from their share – acquisition of clients, protection and monitoring, transport and lodging. In general, gifts and tips received by the sex workers are usually kept by them (BG-C4, BG-C6, BG-C8). Sex workers who generate more revenue can also be rewarded with a bonus by the traffickers – either with an increase in the share of earnings they are allowed to keep (although this never goes above 50%), or other perks such as an extra holiday (BG-C9). In some of the hierarchically structured organisations, some of the key members of the group are also allowed to receive a share of the revenues generated by the sex workers.

For example, in one of the cases involving a modelling agency used as a cover for prostitution, the person who handled the contacts between the women and the customers received 10% of all earnings (BG-E6). Another respondent reported that as a supervisor of six sex workers, he was receiving 20% of their earnings (BG-C3).

Hierarchically structured organisations, which controlled brothels or other sex venues (especially such in a profitable location), follow a different arrangement for profit sharing. Instead of pre-agreeing on the split of the earnings, they demand a fixed advanced payment. For example, organisations controlling erotic clubs at Sunny Beach resort in Bulgaria demanded an advanced payment of €7,500 per sex worker for three months during the summer season (BG-E3, BG-C20). Similar arrangements based on advanced payments ranging from €2,500 to €7,000 on a monthly basis were reported about hotels, adult clubs in other resort areas and abroad (BG-C1, BG-C2, BG-C3, BG-E6, BG-E17). The advanced payments supposedly cover their costs for renting the venue, providing protection against violent clients, rival groups and state authorities. The beneficial owners of such well-located adult clubs at the Bulgarian sea coast reportedly receive about €30,000 on a monthly basis in the form of rent (BG-E3).

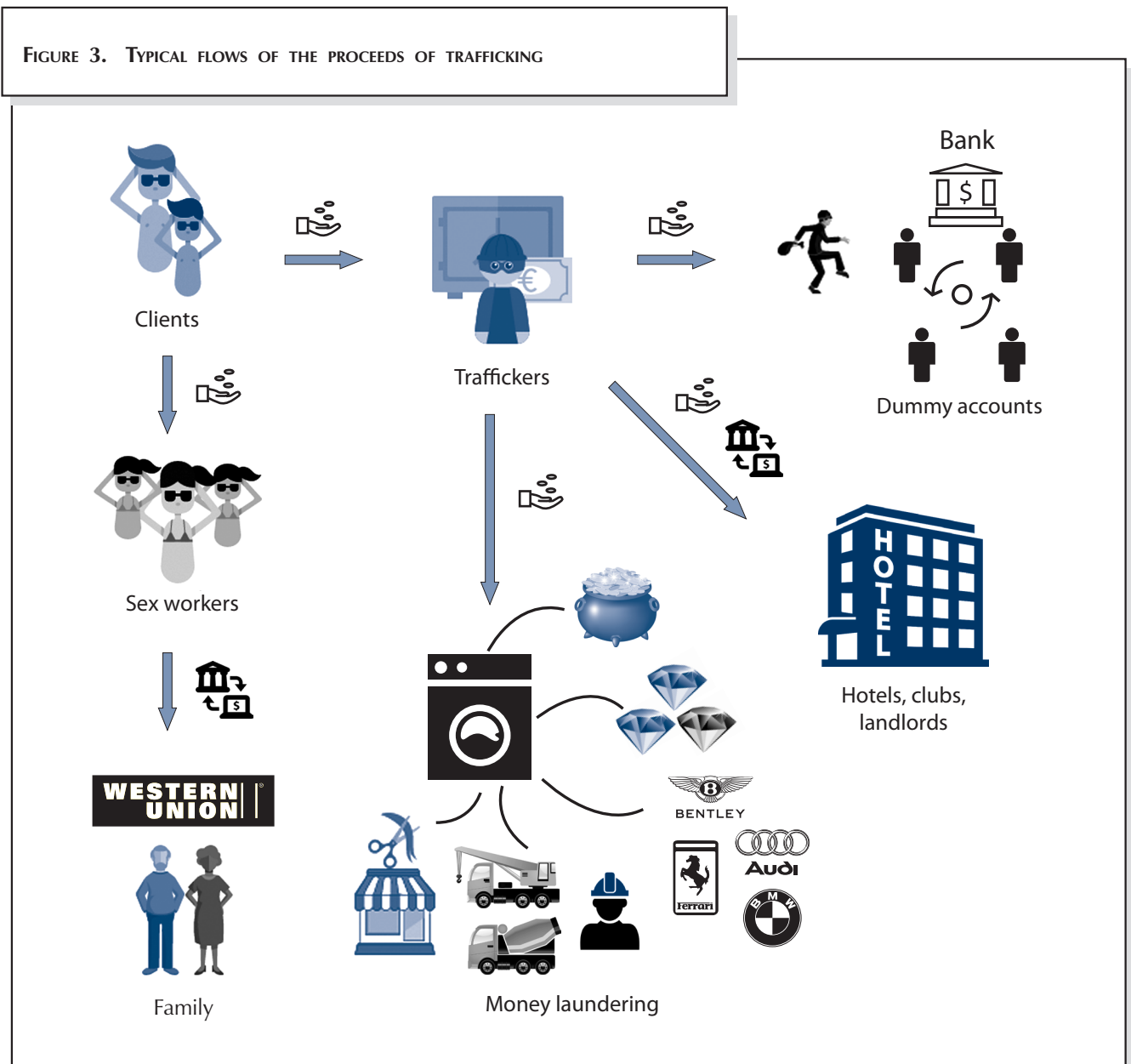
The enforcement of the revenue sharing arrangements are very strict and traffickers often impose tight daily accounting and control. For example, when the appointments with clients are made through the internet, the persons in charge of protection and revenue collection are granted access to the profiles of the women and sometimes communicate with the customers directly (BG-C1, BG-C2, BG-C3, BG-C5, BG-C8). In other arrangements, sex workers have supervisors who closely account for their clients and earnings on a daily basis. Women who are caught trying to hide revenue are penalised with working for a certain amount of time without receiving any compensation (BG-C1, BG-C3, BG-C5, BG-C20). In rare cases they might be subject to physical violence, although it appears that this method is generally avoided, as well as the withholding of all earnings of the women. One trafficker, who used to be part of a larger network, notes: "There should be control but never through violence. I have always managed through conversations, good treatment and money, 50/50, always. If the girl wants, she can let you have all the money, but it is advisable to go 50/50" (BG-C10). The use of violence might prompt sex workers to go to the authorities (BG-C22).

The methods for **money laundering and the re-investment of proceeds** from human trafficking are rarely sophisticated, especially in the case of independent traffickers and loose networks. Moreover, much of the money is spent on a lavish lifestyle or supporting a drug habit. Money is returned to the country and laundered through the purchase of designer clothing, electronics and automobiles, often of luxury brands (BG-E10; BG-E13; BG-E14). The traffickers operating in the outdoor and low-priced indoor segments of the prostitution market and many independent traffickers appear to use simple trade-base money laundering such as purchasing and re-selling of easily tradable goods. These include mostly cars and gold, which are brought in and

sold in Bulgaria (BG-C7, BG-C10, BG-C11, BG-C12, BG-C13, BG-C15). Other consumer goods, e.g. stolen electronics, are also bought cheaply and subsequently resold (BG-C7). Purchasing real estate and land in Bulgaria remains popular both for traffickers and sex workers, and most of the interviewed offenders and sex workers reported such.

Traffickers who are part of more sophisticated organisations reportedly often invest in various commercial establishments such as restaurants, small shops, hair salons (BG-C1, BG-C6, BG-C11). Investments into legitimate enterprises can serve a number of purposes – laundering of proceeds, providing a legitimate reason for residing abroad, recruitment of new sex workers – e.g. hair salons and massage parlours (BG-C1, BG-C10). Value transfers in the form of multiple donations and/or re-sales through a ring of dummy recipients are also reported to be employed in laundering proceeds from trafficking (BG-C10). Organisers in hierarchically structured

FIGURE 3. TYPICAL FLOWS OF THE PROCEEDS OF TRAFFICKING



groups, on the other hand, engage in developing more sophisticated and diversified legitimate business portfolios with multiple stakes in sectors such as hospitality, construction, agriculture, jewellery trade, fitness gyms, etc. (BG-C1, BG-C3, BG-C9). Construction works in and around popular winter and summer resorts as well as larger cities is a widely used method of laundering (BG-C6, BG-C16).

Generally, most of the proceeds are invested and laundered in Bulgaria but a tendency to invest abroad is beginning to be discerned (BG-E5). Previous research showed that in the first half of the 2010s there had been many instances of investment in real estate in Greece, Cyprus, Spain, Italy, and Germany (Bezlov, et al., 2016). There are strong indications of a positive relationship between the sophistication of an OCG and its propensity to invest in real estate and businesses abroad, both as cover and investment for trafficking sustainability and expansion. These may include bars, clubs, and cafes, used often for criminal social networking and/or provision of sexual services (BG-E5, BG-E6, BG-E7, BG-E17, BG-E19). Some experts opined that there is development of a similar trend among independent traffickers as well (BG-E8).

#### **4. THE ROLE AND IMPACT OF THE INTERNET ON HUMAN TRAFFICKING ACTIVITIES AND FINANCES**

The extensive penetration of internet-based services such as (anonymised) instant messaging and social networking websites, has impacted on sex trafficking in Bulgaria and abroad in a variety of ways. First of all, online advertising has created opportunities to lower costs for client acquisition, since it reduced the competitive advantage of having access to established and profitable locations. Thus, especially in Sofia and abroad, it effectively contributed to the gradual disintegration of the existing cartelisation and control of the sex service market by organised crime and the increasing share of independent procurers and sex workers (CSD, 2012). Furthermore, it also allowed to expand the pool of potential new recruits, since it provided a whole new bundle of opportunities to target and reach out to potential victims (CSD, 2017). However, internet has also increased the risk for independent traffickers and sex workers, since they can be easily traced and eventually targeted by hierarchically structured groups, other rival competitors or law enforcement authorities. The latter is especially true for cities with relatively small prostitution markets (BG-C1, BG-C4, BG-C8).

Data from the interviews suggests that the reliance on and use of the internet for sex trafficking, including recruiting and customer base development, is anchored in the interplay of assessments for trustworthiness, opportunism and caution of exposure. For example, whereas the internet may present countless opportunities for recruitment and clientele expansion it is void of the typical offline mechanisms for establishing trust. This is why, it is not surprising that both traffickers and sex workers among interviewed respondents exhibit diverse attitudes

toward the online environment depending on subjective preferences and risk perceptions, as well as experiences with rival competitors and law enforcement encounters (BG-C10, BG-C13). Utilisation of online services such as dating sites, social media and specialised websites differs greatly among the respondents, whereby both extremes of the spectrum are involved, e.g. no use versus exclusive use. Apparently, for some operations the internet proves sufficiently valuable so as to expand the network by including external facilitators, such as IT experts, thereby ensuring that the traffickers are able to fully enjoy the benefits and minimise the risks of internet exposure.

Internet services are primarily used for client acquisition and interviewed respondents provided a variety of examples how they are utilised. Many independent traffickers and sex workers rely on various online channels to market their services and solicit clients. One of the respondents reported extensive use of social networks to expand clientele, although new clients were usually accepted upon prior reference by already known clients (BG-C16). Data suggests that social media accounts (usually with fake names) are used for customer solicitation, whereby sex workers engage in maintaining flirtatious communication with their clients (BG-C16, BG-E10). At least one account shows that sex workers may organise themselves into Facebook groups, wherein sexual services are negotiated and arranged with customers within the social media service (BG-C17). There are also reports that Facebook pages are being created where girls advertise their legal front business, such as massage services (BG-C5, BG-E10). In online offering and negotiating of sexual services the details of the transaction are usually carried out through a conversation over Skype or another medium which allows the customer to be seen and assessed for reliability (BG-C2, BG-C4).

Organised trafficking and prostitution networks also tend to use the internet for client acquisition, as well as for sex worker supervision and control. Victims may be instructed to register accounts and profiles on online dating sites that are popular in the country where they work, such as Badoo, eLove Dates, Tinder (for Western Europe) and Gepime, Elmaz, Adam and Eva (for Bulgaria) (BG-C8, BG-C2, BG-C1). The accounts are controlled by the traffickers, whereby in some instances the organiser will hire an expert to deal with the technical details of account management, including for profiles in social media such as Facebook (BG-C8, BG-C6, BG-C1, BG-C5). Such experts are usually external to the network and are not involved on a full-time basis (BG-C5). The control and supervision activities include operating with the sex workers' accounts, messaging on their behalf, instructions not to delete chat messages with clients, regular inspection of the contents of chats, among others (BG-C8, BG-C1, BG-C3). Thus, apart from everything, ICT technologies have also reduced costs for supervision and control.

Hierarchical organisations, are also known to take advantage of internet to trace and recruit independent sex workers who use online dating sites to increase their exposure and popularity. The recruiters would regularly scan the known websites used for offering incognito sexual services and identify potential new recruits to be convinced to join the



network. Once a victim is identified then the typical recruitment tactics of manipulation and coercion will ensue (BG-C1, BG-C4). Some of the interviewees were of the opinion that independent offering of sexual service through online dating and other sites is a short-term experience lasting up to several months. Then the independent sex worker is usually spotted by some local criminal group or network and they will instantly make efforts to recruit her/him (BG-C8, BG-C3).

This is why a large group of traffickers and sex workers are cautious about using the internet actively for their operations because of uncontrollable exposure to the public, including rival competitors and law enforcement, and the perceived benefits of their own proven offline business model. Therefore, many consider face-to-face arrangements and negotiations to be more trusted, safe and reliable than internet-based communications, and therefore avoid online activities as a part of their risk-aversion strategy (BG-C10, BG-C12, BG-C13, BG-C14, BG-C15, BG-C21, BG-C22, BG-C23).

## 5. FINANCIAL INVESTIGATIONS OF THB CRIMES: CHALLENGES AND GOOD PRACTICES

Trafficking in human beings is a highly profitable criminal activity, which is driven by both profit and demand, thereby yielding significant proceeds. This has prompted the European Commission to emphasise to member states the need to follow the money in THB investigations. Article 9 of the Anti-trafficking Directive provides that member states shall take all the necessary measures to ensure that effective investigative tools are available to investigation and prosecution authorities, and that investigation and prosecution should not be dependent on reporting or accusation by the victims.<sup>7</sup>

Nevertheless, the deficiencies in the Bulgarian authorities' investigative capacity to tackle complex financial crimes and conduct effective financial investigation remain endemic in the responsible enforcement, investigative and prosecuting structures. The insufficiencies have been ascertained in external evaluations, as well as recognised internally. With regard to investigating and prosecuting money laundering (ML) offences, the Prosecutor's Office concedes in its 2017 annual report that such cases are problematic due to ineffective prosecutorial supervision over ML investigations; transfer of cases to the regional prosecution offices, which leads to re-assignment and delays of investigations; difficulties in evidencing the predicate offences and submitting indictments to the courts; insufficient efforts toward the thorough and timely identification and seizure of the assets of the investigated entities and/or natural persons (ППБ, 2017). A study by the Structural Reform and Support Service (SRSS) of the European Commission in 2016 concluded that "there

<sup>7</sup> Directive 2011/36/EU of the European Parliament and of the Council of 5 April 2011 on preventing and combating trafficking in human beings and protecting its victims, and replacing Council Framework Decision 2002/629/JHA, OJ L 101, 15.4.2011.



is a big gap in expertise in modern financial investigative techniques in Bulgaria by law enforcement” (SRSS, 2017, p. 23). With regard to police investigations related to ML, the report further notes that the police lack their own financial experts and often rely of external specialists with minimal financial qualifications and experience sufficient to “translate” and interpret financial documents, but inadequate to conduct or facilitate a full-fledged financial investigation (SRSS, 2017).

The difficulties with conducting financial investigations and bringing complex financial crimes to court are reflected in the national judicial statistics. Sentencing ML in Bulgaria remains low when compared to other types of crime (see Table 2). It should be noted that the practice of initiating the financial investigation simultaneously with the criminal investigation, remains rarely used in the country (CSD, 2017). At the same time, investigating and proving ML offences in court remains challenging. This is confirmed by the low volume of ML sentences, compared to other types of crimes, despite the fact that the majority of crimes are profit-driven and employ ML mechanisms in the various stages of the laundering process (CSD, 2017).

**TABLE 2. SENTENCING OF SELECT OFFENSES IN BULGARIAN COURTS IN 2016**

Types of criminal activity	Type of sentence				
	Effective	Suspended	Probation	Fine	Other
Corruption	26	225	103	113	63
Organised crime	52	68	1	4	6
Human trafficking	12	23	1	8	0
Drug trafficking	556	1,136	62	1,486	111
Money laundering	7	6	1	7	0
Crimes against the tax system	84	943	65	298	67
Counterfeit currency and payment instruments	65	207	5	64	7
Misuse of EU funds	7	23	2	45	0
<b>Total</b>	<b>809</b>	<b>2,631</b>	<b>240</b>	<b>2,025</b>	<b>254</b>

*Source: Prosecutor's Office, 2016.*

The volume of suspicious transaction reports received by the country's financial intelligence unit – the Financial Intelligence Directorate at the State Agency National Security – and the number of registered money laundering indictments in a year may be cautiously considered as another proxy indicator for the effectiveness of the financial investigation environment in a country. In 2016, the Directorate registered

2,987 suspicious transaction reports, while in the same year 14 ML indictments were registered in Bulgarian courts by the prosecution (SANS, 2017; ПРБ, 2017).

Data from the conducted interviews largely depicts a general environment of deficiency in financial investigations, while adding valuable specific insights into the particulars of THB investigations. As a rule, financial investigations are mostly conducted on a case-by-case basis, rather than systematically and are often limited to asset recovery investigations, which fall under the remit of the Commission for Combatting Corruption and Illegal Assets Forfeiture.<sup>8</sup> Most often financial investigations arise out of joint investigation teams and other international frameworks for law enforcement assistance. Financial investigation is still considered as an area for specialised experts, rather than an integrated method to be used within the investigating authorities.

Many of the above mentioned deficiencies are rooted in the current structural and functional models of the responsible institutions and specifically GDCOC and the Prosecutor's Office. Following the series of re-structuring of the GDCOC, currently the Directorate has a highly centralised structure with limited resources for carrying out independent investigations at the local level. The investigative powers and expertise remain centralised in Sofia, thereby resulting in most major and complex cases being investigated from Sofia, wherein many investigations lose the advantage of having on-site specialists with expert local knowledge and situational awareness (BG-E5).

All ML expert operatives of the agency are concentrated at the GDCOC HQ in Sofia, wherein a limited number of experts have to cover ML investigations related to all organised crime activities. Reportedly the financial investigations related to THB cases are two or three annually and usually are conducted within joint investigation teams or within other international mutual police assistance arrangements (BG-E2). Generally, the assumption is that financial investigations have a role in cases related to cross-border trafficking, whereas the cases related to domestic trafficking fall in the remit of the Commission for Combatting Corruption and Illegal Assets Forfeiture (BG-E2). In many cases, the lack of sufficient resources and in-house expertise at GDCOC limit the scope of financial investigations, particularly those with strong international dimensions, to simple network analysis such as tracing cross-border payments via money transfer services. Usually, no further analysis is undertaken (BG-E2). Investigations on the use of legitimate business structures for concealing criminal activities and proceeds of crime is also hampered due to the legal restrictions on access to tax information by law enforcement officers (BG-E2). Insufficient staffing and lack of specialisation of investigating police officers generally leads to disregarding the financial aspects of THB (BG-E5).

Structural and functional impediments impact also the work of the Prosecutor's Office. Currently, cases related to money laundering

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<sup>8</sup> Operational since 19.01.2018, previously Commission for Illegal Assets Forfeiture.

involving organised crime are handled by the Specialised Prosecutor's Office, whereas all other cases fall into the remit of the Regional Prosecutor's Offices. However, the most recent data indicates that for 2016 the Specialised Prosecutor's Office had initiated only five new pre-trial investigations on money laundering, whereas the biggest portion of such investigations is handled by the Sofia City Prosecutor's Office (ПРБ, 2017).

Part of the problem is the functional division of tasks within the prosecution in Bulgaria, wherein cases of human trafficking are usually handled by the District Prosecutor's Offices and money laundering cases by the Regional Prosecutor's Offices. Similarly, in the Special Prosecutor's Office usually the ML investigation is separated from the one for the predicate offence and tasked to a different prosecutor. The Specialised Prosecutor's Office, like GDCOC, is a centralised structure and does not have any regional offices, which among other things ensues various logistical and practical impediments, when pre-trial investigations outside Sofia need to be handled.

The usual practice during pre-trial investigations is that the financial investigation materials are separated by the materials on trafficking in human beings and compiled into a separate file. The ML file is then handled by a different prosecutor at the Regional Prosecutor's Office or at the Specialised Prosecutor's Office, as per the functional and structural requirements of the workflow in the prosecution (BG-E2, BG-E3, ПРБ, 2017). This leads to interruption in the investigative work, which results in a low number of completed ML investigations. Moreover, the structural requirement of separating the prosecutorial authority over the predicate and the ML cases, from the regional to the district prosecution office, may decrease the incentive for collecting evidence for financial investigation in the original predicate prosecution. To further complicate the situation, in many cases judges require a conviction for the predicate offence in order to consider a ML case (BG-E3).

The system for random assignment of cases in the prosecution has also had the unintended consequence of hampering efficiency of ML investigations. This system was implemented with the main purpose of preventing corruption, conflicts of interest and influence trading. However, in terms of the quality of investigating practices the random assignment system may prove to have a detrimental effect as it appears to hinder specialisation among the magistrates. Firstly, the system allows for highly complex and sophisticated cases to be randomly assigned to inexperienced prosecutors, thereby jeopardising a successful investigation (SRSS, 2016). Secondly, the random assignment means that a prosecutor may not be able to develop practical experience and expertise in ML cases, as there is no assurance that the prosecutor would continue to work in that specific crime field. This also proves particularly important in financial investigations, e.g. money laundering, which may require specific skills and expertise often gained exclusively through experience (BG-E15).

## 6. CONCLUSION AND RECOMMENDATIONS

Human trafficking remains one of the most important sources of revenues for the Bulgarian organised crime. Although in the last decade the market has fragmented and decentralised, and the share of the independent traffickers and sex workers increased, it still remains largely controlled by organised crime. However, the modus operandi of all trafficking actors has shifted away from the violence and coercion towards the use of subtler methods involving economic incentives. The extensive penetration of the ICT and the steady growth of internet use have played an important role for these recent developments. Among other things, they have contributed to a significant reduction of client acquisition cost for trafficking operations.

The current analysis examined in-depth the financial underpinnings of the human trafficking both at the domestic market and abroad. There is a widely shared belief that human trafficking is practically low-cost criminal activity bringing huge profits, wherein market entry does not require any particular investment. The collected information to a large degree refutes this common myth at least in the Bulgarian context. Certainly, recruitment and transportation costs can be negligent to none, but the exploitation stage does require initial investment, especially if it is expected to generate sufficient revenue. A big competitive advantage of Bulgarian traffickers is that being EU citizens they can enjoy visa free travel and low-cost transportation. However, client acquisition costs can be substantial, particularly for access to high profitable locations such as placement in an adult club at the sea coast resorts. Internet does provide an alternative and can significantly lower costs for client acquisition, but on the other hand it raises risks related to encountering abusive clients or coming across with rival competitors or extortionists. Thus, it also increases cost for protection. Expanding business is also related to additional costs for monitoring and control a larger number of sex workers, as well as costs for concealment of criminal activities, for example through establishing legitimate businesses as a cover. Nevertheless, the collected data indicates that social capital can alleviate or significantly reduce many of these costs for new-starters or provide them with the needed credit line to enter the business.

The extensive penetration of ICT services in prostitution markets have not changed much with regard to settlement of payments. Cash transactions still dominate trafficking business, whereas both payments from clients and within trafficking groups or networks remain in cash. The character of the money flows to a large extent predetermines the low sophistication of money laundering methods used by traffickers – money is moved across borders via non-bank money transfers and recently more often via money couriers. Subsequently, the money is invested in real estate and cash-intensive businesses. Trade-based money laundering is also commonly used. The analysis also shows a newly emerged trend of criminal entrepreneurs investing their proceeds in the destination countries, especially in assets that allow them to expand their business – brothels or various hospitality businesses that

are used as a cover for provision of sexual services (e.g. restaurants, cafes, hotels, etc.).

The changing nature and growing sophistication of trafficking operations is posing new challenges to the law enforcement and judicial authorities of the country and apparently the latter are not fully equipped to meet them. This is particularly true with regard to financial investigations, which lags behind due to a variety of impediments, such as the lack of sufficient resources and existing functional and structural gaps in the institutional setup.

Drawing on the analysis the following recommendations could be drawn:

1. A side effect of the growing use of legal business structures to enable and facilitate THB for sexual purposes is a higher level of sophistication of criminal finances as licit and illicit financial flows become intertwined in the process of money laundering. These new trends are coupled with lack of financial investigation expertise in law enforcement, which is currently compensated by contracting of external experts with uncertain expertise and efficiency (SRSS, 2017). In order to address this, recruitment, training, and deployment of additional police officers able to conduct complex financial investigations is much needed.
2. The current institutional setup and particularly the functional division of tasks within the prosecution, whereby investigations of predicate and ML offence are usually handled by different prosecutors, hinders parallel financial investigations, which are paramount for the timely tracing and freezing of criminal assets. In this regard, the follow-the-money doctrine should be institutionalised so that ML investigations are conducted in parallel with all THB investigations. This could be achieved through establishing working mechanisms for better coordination within the prosecution, as well as with other relevant institutions such as the Commission for Countering Corruption and Illegal Assets Forfeiture.
3. Furthermore, a modification of the random allocation principle at the Prosecutor's Office should be considered to ensure that casework on ML offences is managed and supervised by prosecutors with the appropriate experience and skill-set.
4. To ensure the early identification and freezing of relevant assets, especially in organised crime cases, the lead prosecutors at the Specialised Prosecutor's Office need to supervise both criminal and financial investigations more proactively by instructing suitably trained officers to collect the relevant financial evidence and ascertain the full extent of the assets of suspects. Where appropriate, this should be undertaken in conjunction with the Commission for Countering Corruption and Illegal Assets Forfeiture. Establishing regional departments of the Specialised Prosecutor's Office is also advisable to speed up collection of evidence and improve coordination and monitoring.
5. Forfeiture of illegal assets is a major and indispensable tool in the combating of organised crime. The international experience shows that structures with a remit to investigate illegally acquired assets are best institutionally and operationally situated within the prosecution or the

police. In Bulgaria, the structural approach to illegal asset seizure has shifted sharply away from best practices and into an unprecedented and ambiguous merger of responsibilities to include assets forfeiture, conflict of interest and anticorruption into one mega structure. Consideration should be given to bringing assets forfeiture within the remit of institutions charged with investigating and prosecuting the predicate offences supposedly yielding the proceeds to be seized.



## LIST OF ABBREVIATIONS

<b>ICT</b>	information and communication technologies
<b>GDCOC</b>	Directorate General Countering Organised Crime
<b>GDP</b>	gross domestic product
<b>GRETA</b>	Group of Experts on Action against Trafficking in Human Beings
<b>Mol</b>	Ministry of Interior
<b>ML</b>	money laundering
<b>OCG</b>	organised crime group
<b>SANS</b>	State Agency National Security
<b>THB</b>	trafficking in human beings

## LIST OF INTERVIEWEES

Respondent code	Position/Department	Institution/Role
BG-C1	Pimp (male)	Recruitment, client acquisition, money mule
BG-C2	Prostitute (female)	Worked in Pazardzhik and on the Bulgarian seaside
BG-C3	Pimp (male)	Security, money collection, customer acquisition and sometimes recruitment
BG-C4	Pimp (female)	Recruitment (previously for a group); money collection, securing working terrain, buying protection (currently)
BG-C5	Prostitute (female)	Worked in Plovdiv, on a Bulgarian winter resort and at seaside
BG-C6	Prostitute (male)	Worked in Pazardzhik, on the Bulgarian seaside and Cologne, Germany
BG-C7	Pimp (female)	Recruitment, security (but not muscle)
BG-C8	Prostitute (female)	Worked in Pazardzhik, Innsbruck, Austria and Madrid, Spain
BG-C9	Prostitute (female)	Worked in Plovdiv and Saint-Tropez, France
BG-C10	Pimp (male)	Money collection, securing accommodation, recruitment
BG-C11	Pimp (multiple, male)	Recruitment, transportation, money laundering, corruption payments
BG-C12	Pimp (male)	Security, money collection, organisation of accommodation abroad, transportation, money laundering, corruption payments
BG-C13	Pimp (male)	Security, money collection, organisation of accommodation abroad, transportation, money laundering, corruption payments
BG-C14	Pimps (three, male)	Recruitment, securing working terrain, money collection, money laundry
BG-C15	Pimps (male and female)	Securing working terrain, recruitment, money collection, corruption payments
BG-C16	Prostitute (female)	Worked in Bulgaria, the Netherlands, currently France and Belgium
BG-C17	Pimp (male)	Security, securing working terrain, money collection, corruption payments
BG-C18	Pimps (numerous, male)	Recruitment, transportation, securing working terrain, corruption payments, money laundering
BG-C19	Prostitute (female)	Worked in Sofia

<b>Respondent code</b>	<b>Position/Department</b>	<b>Institution/Role</b>
BG-C20	Prostitute (female)	Worked in Sofia and at the Bulgarian seaside; dabbled briefly in recruitment
BG-C21	Prostitute (female)	Worked in Germany and France
BG-C22	Prostitute (female)	Worked in Bulgaria and Norway
BG-C23	Prostitute (female)	Worked in Bulgaria and abroad (unknown where)
BG-E1	Police officers	Regional Directorate Combatting Organised Crime, Rousse
BG-E2	Police officer	Money laundering Sector, General Directorate Combatting Organised Crime
BG-E3	Prosecutor; police officer	Regional Prosecution, Regional Directorate Combatting Organised Crime, Bourgas
BG-E4	Police officer	SANS
BG-E5	Police officer	Head of sector, General Directorate Combatting Organised Crime
BG-E6	Prosecutor	Specialised Prosecution
BG-E7	Prosecutor	Specialised Prosecution
BG-E8	Prosecutor	Regional Prosecution Rousse
BG-E9	Prosecutor	District Prosecution Plovdiv
BG-E10	Prosecutor	Regional Prosecution Plovdiv
BG-E11	Social worker	NGO, Pazardzhik
BG-E12	Police officer	Regional Directorate Combatting Organised Crime
BG-E13	Prosecutor	District Prosecution, Dobrich
BG-E14	Prosecutor	Head of District Prosecution, Dobrich
BG-E15	Prosecutor	Regional Prosecution, Dobrich
BG-E16	Prosecutor	Regional Prosecution, Dobrich
BG-E17	Police officer	Regional Directorate Combatting Organised Crime; Sliven
BG-E18	Police officer	Regional Directorate Combatting Organised Crime Varna
BG-E19	Former police officer	Retired Director of Directorate Combatting Organised Crime
BG-E20	Former police officer	Regional Directorate Combatting Organised Crime, Pazardzhik
BG-E21	Former police officer	Deputy Director, Regional Directorate Combatting Organised Crime, Varna
BG-E22	Former prosecutor	Specialised Prosecution
BG-E23	Prosecutor	Regional Prosecution Pazardzhik
BG-E24	Prosecutor	District Prosecution Pazardzhik
BG-E25	Police officer	Police Internal Investigations Directorate

<b>Respondent code</b>	<b>Position/Department</b>	<b>Institution/Role</b>
<b>BG-E26</b>	Police officer	Regional Directorate Combatting Organised Crime, Plovdiv
<b>BG-E27</b>	Prosecutor	District Prosecution Sliven
<b>BG-E28</b>	Prosecutor	District Prosecution Sliven
<b>BG-E29</b>	Retired police officer	Regional Directorate Combatting Organised Sliven

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# FINANCING OF TRAFFICKING IN HUMAN BEINGS IN FRANCE

Trafficking in human beings (THB) for sexual exploitation<sup>1</sup> is one of the most prevalent types of individual exploitation and it is a major concern in France. Despite the long existing awareness of this phenomenon, often linked to increasingly structured criminal organisations, it has not stopped evolving and adapting to ensure its permanence (FR-E2). Taking advantage of the pauperisation of some populations throughout the world and allowing victims to hope for quick earnings, criminal structures hire, transport, handle and profit more and more from the sexual exploitation of their victims. France is both a country of destination and a country of transit for these organised groups, “who use the free movement of people principle within the Schengen area to enable the circulation of their victims throughout a large part of the Europe” (SIRASCO, 2016; FR-E1).

Since its creation in 1958, the Central Office for Combating Human Trafficking (OCRTEH) of the judicial police conducts investigations on acts of procuring and human trafficking for sexual exploitation and draws up, from the data gathered by services dealing with this phenomenon, its evolution and main trends. According to these trends, in the last decades transnational criminal organisations have specialised in the trafficking of human beings for the purpose of prostitution, thus occupying the place left vacant by the French “traditional milieu” (FR-E3). Being highly structured, they recruit the victims in their country of origin. Young women, most of whom have no family ties and do not speak the French language, when in France most often live without any residence permit. They must pay back to the criminal network the very high cost of their irregular immigration (FR-E4). The women are forced, sometimes through physical violence, to prostitute themselves at extremely low rates and under very precarious material and sanitary conditions. This is particularly the case for Nigerian networks or for criminal organisations from the Roma community (Romanian and Bulgarian), who then repatriate all profits generated in their respective countries, by money transfers, by money couriers or other informal value transfer systems working in their community (FR-E3).

The offense of trafficking in human beings is indeed not much utilised by the magistrates who prefer to pursue for aggravated procuring, which is considered simpler to identify and better defined by the case law (FR-E11).

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<sup>1</sup> Provisions implementing Directive 2011/36/EU of the European Parliament and of the Council of 5 April 2011 on preventing and combating trafficking in human beings and protecting victims. The French law is too recent to reflect the reality of THB linked with the exploitation of forced labour. Thus, it is complicated to evaluate the magnitude of that phenomenon. Unsurprisingly, there is no official data. The Committee Against Modern Slavery, a French NGO, is trying to set up a database but it suffers from methodological weaknesses. Likewise, the central office combating illegal labour is struggling to gather robust data (GRETA, 2017).

If the French legal framework, de facto authorises prostitution by not mentioning it in the Penal Code (Mainsant, 2008), it enforces the ban of procuring and recently the prosecution of the clientele.

#### From procuring to aggravated procuring:

- The act of procuring alone is the offence provided for in article 225-5 of the Penal Code, without the addition of at least one of the aggravating circumstances listed in article 225-7.
- Insofar as only one circumstance is enough to cause the aggravation of the penalty, **there are very few simple procuring cases**. Thus it is extremely common that an investigation opened on the basis of procuring continues on the basis of aggravated procuring. The most frequent causes of aggravation and the easiest ones to demonstrate are the plurality of perpetrators or victims, the use of a telecommunications network and the use of force or fraudulent manoeuvres.

#### The definition of human trafficking (article 225-4-1 of the Penal Code):

- It is defined as the act performed in exchange for remuneration, promise of remuneration or any other advantage, to hire a person, transport, transfer, and host or accommodate said person to make them available to oneself or to a third party, even unidentified, in order to either allow to be committed against this person offenses of procuring, aggression, sexual violence, exploitation of panhandling, working or living conditions counter to their dignity, organ trafficking, or to force this person to commit any crime or offense.

Since the Second World War, France has adopted several international conventions regarding human trafficking for sexual exploitation purposes:

- The 1950 United Nations Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others;
- The year 2000 additional protocol (the Palermo Protocol) to the United Nations Convention against Transnational Organised Crime (UNTOC);
- The 2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (the Warsaw Convention).

More recently, the European Directive 2011/36/UE on human trafficking and its prevention has led France to define the components of the THB offence. Thus, the August 5, 2013 laws transposed in the Penal Code under article 225-4-1, the definition of the offence as the act of “hiring a person, transporting, transferring, hosting or welcoming her for purposes of sexual exploitation.”

A circular letter of the Minister of Justice of January 22, 2015 defining the penal policy in the fight against trafficking in human beings has been sent to the prosecutors and transmitted, for information, to the presidents of the various courts competent in criminal matters. This circular letter reaffirms the need to use the qualification of trafficking during criminal proceedings to dismantle the networks more effectively, to facilitate the implementation of international cooperation tools.

The July 13, 2016 law came to complete the French legislative system regarding human trafficking and specifically provides:

- The strengthening of the protection of the victims of sexual exploitation: the law alters the dispositions of the Code on the entry and residence of foreigners and right of asylum (CESEDA) in France and allows for granting of a six-months residence permit to individuals who had been identified as victims of trafficking and engaged into sexual exploitation, without preconditions for the denunciation of the trafficking networks exploiting them. The law also stipulates the accessibility of the “penitent” system of article 706-63-1 of the Code of Criminal Procedure for THB victims as well as family members “for having prevented the commission of offences, for stopping or limiting the damage caused by an offence”.
- The incrimination of the purchase of sexual acts: the act of seeking, accepting or obtaining sexual relations from a person engaged in prostitution in exchange for remuneration or some advantage is punishable by a fifth class fine. The offence becomes a crime in the event of repetition over a timeframe lesser than or equal to one year.
- The repeal of the offense of solicitation.

“France has the most repressive arsenal against procuring” (FR-E12). While prostitution is not incriminated, the exploitation of prostitution is severely punished. The repression of procuring has the unique characteristic of punishing an activity that is not, in itself, illegal. In 2010, the Directorate of Criminal Affairs and Pardons showed that in the cases of aggravated procuring the prison sentences amounted to an average of 27.2 months. Of those convicted, 78% were older than 25, 28% were women, and 56% were foreigners, still in regards of only aggravated procuring. The average fine amounted to €13,080 (FR-E4). Even if the legal framework for procuring violations seems to be complete, the offense of trafficking remains, to this day, rarely applied (3 cases in France in 2009, 3 cases as well in 2010). Few judges use the cumulative nature of the procuring and trafficking violations. However, current legal texts allow, in theory, to incriminate human trafficking with the purpose of sexual exploitation as a whole. While France has managed to limit the development of prostitution compared to its Spanish and German neighbours, sex trafficking and prostitution nevertheless remains a lucrative industry in France where networks continue to invest. As people become vulnerable to exploitation and businesses continually seek the lowest cost for labour sources (Wheaton et al., 2010).

The main aim of this report is to offer an account of the financial aspects of trafficking in human beings in France. The majority of respondents who were interviewed for this report come from the ministries of justice and interior, at the central and local level. Experts from the following institutions have been approached – the Central Office against THB based in Nanterre from the French Judicial Police, the Brigade Against Procuring (Prefecture of Police of Paris), the Brigade for Protection of Minors (Prefecture of Police of Paris), and the Penal

Court of Paris (General Prosecution – section C2). All these institutions are specialised in countering THB and procuring. Moreover, we had the opportunity to interview the head of the department of regional intervention (Prefecture of Police of Paris) involved in the tracing of criminal assets and their seizure.<sup>2</sup>

## 1. MARKET OVERVIEW

In 2016, 65 networks (38 in 2015) of aggravated procuring, including 35 (17 in 2015) that can be qualified as human trafficking, were dismantled by police services and the Gendarmerie. Of these networks, 38 pertained to street prostitution and 24 to internet prostitution; 816 respondents were taken in for questioning in the course of this same year (611 in 2015) (FR-E3). China has become the most important country for France in terms of the origin of structured networks (15), followed by Nigeria (11) and Romania (9). Still in 2016, 1,118 victims (712 in 2015) were identified by French services during the procedures carried out against procuring, aggravated procuring and THB. With 323 victims, France has become the most represented source country in terms of numbers of victims identified, surpassing China (202), Nigeria (114) and Romania (104). Lastly, as of December 31, 2016, 586 clients were prosecuted for engaging in prostitution within the framework of the new law<sup>3</sup> (FR-E18).

**TABLE 1. EVOLUTION OF POLICE INVESTIGATIONS AND RESULTS**

	2015	2016	Change (%)
Investigations of procuring	224	259	+16
Suspected individuals	611	816	+34
Identified victims	712	1,118	+57
Share of male victims (%)	4	7	/
Share of suspected male procurers (%)	64	66	/

Source: OCRTEH, 2017.

The number of people suspected of procuring as well as the number of identified victims mainly reflect law enforcement activity, which tends to vary from one year to another considering the discovery of new trends and guidelines.

“We need to take into account the absence of a verified number of prostitutes in France, even though some NGOs (e.g. Amicale du nid, Médecins du Monde, Hors les Murs) try to provide some estimations, but without a robust methodological approach” (FR-E17).

<sup>2</sup> The sources have been coded in order to preserve their anonymity. The first two letters of the code indicate the country, “E” indicates an expert, while “C” means criminal entrepreneur. The description of the background of the individual sources referenced can be found in the list of interviewees in the references section.

<sup>3</sup> LOI No. 2016-444 du 13 avril 2016 visant à renforcer la lutte contre le système prostitutionnel et à accompagner les personnes prostituées.

Specifically, law enforcement activity has produced the following results (OCRTEH, 2017):

- 40 investigations of acts of simple procuring (42 in 2015):
  - 43 suspects (29 French men, 4 Brazilians, 2 Romanians, 2 Moroccans, 2 Cameroonians) compared to 46 in 2015;
  - 46 victims (26 French women, 6 Romanians, 3 Dominicans, 3 Cameroonians, 2 Bulgarians) compared to 49 in 2015.
- 154 investigations were geared towards acts of aggravated procuring (148 in 2015):
  - 343 suspects (229 French men, 28 Chinese men, 13 Romanians, 8 Algerians, 7 Tunisians, 6 Nigerians) compared to 324 in 2015;
  - 465 victims (262 French women [140 in 2015], 46 Chinese women, 33 Cameroonians, 23 Romanians) compared to 411 in 2015.
- 30 investigations of networks of aggravated procuring (without being qualified as human trafficking) (21 in 2015):
  - 177 suspects (55 French men [31 in 2015], 33 Chinese men, 22 Romanians, 11 Bulgarians, 11 Ecuadorians) compared to 112 in 2015;
  - 221 victims (70 Chinese women [29 in 2015], 31 Frenchwomen [4 in 2015], 20 Romanians, 18 Ecuadorians, 16 Brazilians) compared to 112 in 2015.
- 35 investigations of networks involved in human trafficking (17 in 2015):
  - 253 suspects (70 Nigerians [10 in 2015], 41 Romanians, 32 Chinese men, 31 Frenchmen [4 in 2015], 27 Hungarians) compared to 129 in 2015;
  - 386 victims (109 Nigerians [12 in 2015], 86 Chinese women [6 in 2015], 60 Hungarians, 55 Romanians) compared to 150 in 2015.

### 1.1. The victims

Since 2014, “an increase in the prostitution of minors has been observed on French soil” (FR-E6), and more particularly concerning victims of French nationality. In 2016, out of 120 identified minors victims of prostitution, 100 had the French nationality (98 females and 2 males), or a 50% increase compared to 2015. This new trend is to be linked with the development of the phenomenon of sexual exploitation carried out by youths from the *banlieues* – large city suburbs notorious for their criminality (FR-E9).

Young victims, oftentimes minors, appear to be easy prey for young “gang leaders” from urban areas, who force them into prostitution (FR-E10). The average age of these young girls is around 15 years old and the extreme instability of their personal situation (runaways or school dropouts) often drives them to great mobility throughout the territory, and notably in big urban areas (Marseille, Lille, the Paris region). Left without family support and personal financial resources, they prostitute themselves in cheap hotels via ads posted online by their procurers. This type of exploitation tends to structure itself in networks, with regards to the new means of hiring, managing and sexually exploiting these young minors, and thus tends to be similar to the *modus operandi* used by sexual exploitation criminal groups. Moreover, for a year now, France has been confronted with the regular arrivals of increasingly young



females exploited by Nigerian prostitution networks. However, the real age of these victims remains difficult to establish due to the false papers they present, provided to them by the networks, as well as the lack of verification by Nigerian authorities.

**TABLE 2. VICTIMS UNDER 18 YEARS OF AGE (2015 – 2016)**

	Males	Females	Total
France	3	155	<b>158</b>
Nigeria	0	6	<b>6</b>
Romania	0	6	<b>6</b>
Bulgaria		2	<b>2</b>
Cameroon	0	3	<b>3</b>
Algeria	0	3	<b>3</b>
Belgium	0	1	<b>1</b>
Hungary	0	1	<b>1</b>
Morocco	0	2	<b>2</b>
Ivory Coast	0	1	<b>1</b>
Gabon	0	1	<b>1</b>
Guinea	0	1	<b>1</b>
Senegal	0	1	<b>1</b>
<b>Total</b>	<b>3</b>	<b>183</b>	<b>186</b>

*Source: OCRTEH, 2017.*

### The figures:

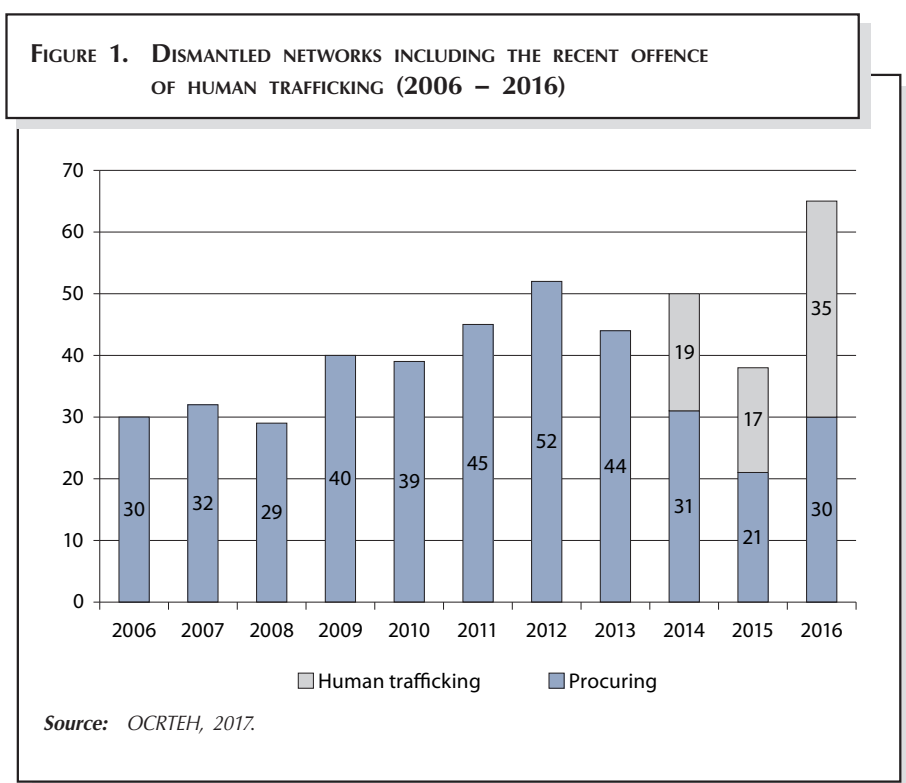
The statistics about the number of suspects and identified victims reflect the annual activity of law enforcement and gendarmerie services, taking into account new trends and guidelines. Indeed, unlike in other European Union countries, such as Germany and the Netherlands, where prostitution is paid, declared and controlled employment, France can only rely on criteria linked to law enforcement activity in order to try and estimate the number of victims on its soil. The so-called number of identified victims and perpetrators nevertheless remains an effective indicator to grasp the general trends of prostitution in France (FR-E16).

Of the 1,118 victims identified in 2016 by the law-enforcement authorities in France, 46 were involved in simple procuring, 466 in aggravated procuring, 221 in networks without THB and 386 in THB networks (FR-E16). French women represent 29% of the total number of identified victims (323), ahead of Chinese women who account for 18% (202), Nigerian women for 10% (114) and Romanian women for 9.2%

(104). In terms of source regions, east Europeans represent 20.2% of the total, followed by Asians (18.14%), Africans (16.62%) and South Americans (10.10%). France has thus become the most represented source country concerning active prostitution on French territory, followed by east European countries (FR-E3).

## 1.2. Dismantled networks in 2016

Police and gendarmerie services' activity has strongly increased throughout 2016. With 65 dismantled networks, it reached a record peak, higher than 2015 (38 networks) and twice the registered activity for the years 2006 to 2008. This evolution illustrates the experience of criminal investigation services in carrying out complex inquiries on certain types of networks such as those of the Nigerian or Chinese community (see Figure 1).



The THB offence has been gradually supplanting the simple procuring offence in the French criminal justice system. Thus the number of dismantled networks qualified as THB has increased from 38% in 2014 to 54% in 2016.

The statistics from OCRTEH show that when all offences are taken into account, the networks from eastern Europe remain the most numerous (18). Romania alone represents half of them (see tables 3 and 4). Fourteen out of fifteen dismantled African networks were qualified as THB, 11 of which were Nigerian. This particularity demonstrates, if it still needed to be done, that these structures have high level of organisation that fully pertains to organised crime. The number of dismantled Chinese networks remains high, but the similarity between networks with

**TABLE 3. PROCURING NETWORKS BY NATIONALITY**

<b>Eastern Europe</b>	<b>10</b>
Romania	5
Bulgaria	2
Albania	2
Hungary	2
<b>Asia</b>	<b>7</b>
China	7
<b>Western Europe</b>	<b>6</b>
France	5
Multinational	1
<b>South America</b>	<b>5</b>
Brazil	4
Ecuador	1
<b>North America</b>	<b>1</b>
Dominican Republic	1
<b>Africa</b>	<b>1</b>
Guinea	1
<b>Total</b>	<b>30</b>

Source: OCRTEH, 2017.

**TABLE 4. HUMAN TRAFFICKING NETWORKS BY NATIONALITY**

<b>Multinational</b>	<b>1</b>
<b>Africa</b>	<b>14</b>
Nigeria	11
Guinea	2
Cameroon	1
<b>Eastern Europe</b>	<b>8</b>
Romania	4
Bulgaria	2
Hungary	1
Albania	1

THB (8) and without THB (7) is a sign that for this community it remains difficult to establish the elements defining human trafficking. The development of judicial and police cooperation with China could help reverse this trend in the course of the coming years.

These figures illustrate the rapid evolution of the phenomenon, which tends to increasingly organise itself in order to exploit more and more victims and thus multiply its financial gain. One can also note the emergence of “multinational” procuring. It consists of opportunity alliances between several individuals of different nationalities, exploiting victims of different nationalities as well. For example, the network referred to as “multinational” in Table 4 was organised by two Algerians allied to two Tunisians, exploiting Romanian and Italian victims. These opportunity alliances also appear within networks ran by a national community (FR-E18). This state of things thus needs to lead to a modulation of the intra-community dimension that had until now been attributed to THB (see Tables 3 and 4).

National Police services have dismantled 58 out of 65 networks in 2016. Twenty-five of these networks pertained to aggravated procuring and 33 to human trafficking. The National Gendarmerie units have dismantled 6 networks, 4 of which pertained to aggravated procuring and 2 to human trafficking. One network of aggravated procuring investigation was the result of cooperation between the police and the gendarmerie.

TABLE 4. HUMAN TRAFFICKING NETWORKS BY NATIONALITY (CONTINUED)

<b>Asia</b>	<b>8</b>
China	8
<b>Western Europe</b>	<b>1</b>
France	1
<b>South America</b>	<b>3</b>
Argentina	1
Brazil	1
Peru	1
<b>Total</b>	<b>35</b>

Source: OCRTEH, 2017.

## 2. MARKET STRUCTURE AND SOCIAL ORGANISATION OF TRAFFICKING NETWORKS

In France, the organisation of human trafficking for the purpose of sexual exploitation has recently tended towards horizontality in criminal activities. In other words, procurers are not at the head of a large hierarchy, but favour small structures and outsource some of their actions.

Street prostitution concerns 54% of identified victims, internet prostitution 34%, and massage parlours 10% (FR-E3). Among the 65 dismantled networks in the course of 2016, more than half (38) concerned **street prostitution**. Despite new legal dispositions regarding client penalisation, street prostitution maintains a constantly high level, and remains the primary form of sexual exploitation in France (604 victims counted in street exploitation or 54% of the total number of identified victims). It should be noted that considering the very recent application of the law its effects are not yet noticeable within the prostitution setting.

Almost all (94%) of the women who practice it are foreign, particularly people of Nigerian nationality, as well as from Roma communities, either Romanian or Bulgarian. In this type of prostitution, the women rarely report to the police. They are mainly exploited by family members or close acquaintances. Nigerian prostitution is organised by established criminal structures, from the recruitment in Nigeria all the way to the exploitation of the victims by the “mamas” (“madams”) in Europe. The geographic mobility of these groups throughout France, and also throughout Europe, could be considered as an asset for these organisations, to meet a new demand and to escape from law enforcement pressure.

The supply of **internet prostitution** represents about 34% of the recorded victims in France for the year 2016. It is the second most used type of prostitution. Constantly growing, this form of sexual exploitation tends to diversify itself. Practiced mainly in hotels or rented apartments from specialised websites, this type of prostitution primarily concerns young women of French nationality hired by young procurers, Chinese women and, to a lesser extent, South American victims. At the age of the digital explosion, “cyber-prostitution” continues to grow, particularly through the design, production, management and maintenance of advertising sites, taking photographs, videos, protection and site management (FR-E4).

**Prostitution in massage parlours** amounts to 10% of the victims of 2016 with 106 exploited women identified, 57 of whom French nationals and 41 Chinese nationals. The massage parlours in the Paris metropolitan area are almost all run by people from the Dongbei region in China who exploit young women also from this region (FR-E10). This type of prostitution is very popular in Paris, but also tends to develop in other places as well. Out of 22 cases in 2016, 14 concerned the sexual exploitation of young Chinese women, and 8 of them prostitution of women of diverse nationalities, primarily French. Cities such as Nice (06), Béziers (34), Le Cannet (06) or even Aix les Milles (13) have seen this type of parlours prosper, illustrating a tendency to relocate to new geographic zones.

The lack of regulation regarding this activity gives ample leeway to the procurers, who, using the cover of wellness massages, hide prostitution activities involving young women in an irregular situation. The identified French victims had an average age of 27-28. Sexual intercourses are priced between €100 for a half-hour and €120 to €150 an hour (massage and sexual finish). However, investigations have shown that it would be inaccurate to talk about “very structured” networks. The monthly income of a salon can reach an average of €8,000 to €15,000. It seems that currently the activity is less flourishing as evidenced by the rapid closure of massage parlours.

A similar type of prostitution is **the hostess bar prostitution**, which has almost fully disappeared (0.19% of identified victims), though it remains in some big urban areas (Mulhouse, Lyon, Strasbourg). The majority of victims are French nationals, and the others are mostly of Brazilian and African origins.

The social organisation of trafficking networks also differs depending on the nationality of the perpetrators.

## 2.1. East European trafficking networks

East European prostitution almost exclusively concerns Romanian or Bulgarian Roma communities and to a lesser extent Hungarian and Albanian women. The structure of the networks is family and clan-based, dominated by a strong patriarchal culture. Women from these

communities (sisters, wives, cousins) prostitute themselves for the clan chief (FR-E13). There is seldom any violence linked directly to this type of prostitution. However, women do suffer from interfamilial aggressions. Because of the free movement of people within the Schengen area, this type of prostitution is mobile and remains one of the most visible, both in big agglomerations (Paris, Lyon, Marseille), as well as medium-size cities (Besançon, Avignon, Limoges, Troyes).

The majority of the women who are victims of this type of prostitution are in the hands of networks: out of 104 Romanian prostitutes identified in 2016, 75% were enrolled in a procuring network, with or without THB. Moreover, Hungarian prostitution is also making progress on the French territory. Hungarian women represented 28% (64 victims) of east European prostitution in 2016. The modus operandi of this type of network is the same as the one used for the exploitation of Roma women. The procurer keeps several lots on the street for the victims, and acts as their lover-boy. He encourages competition between these young women, promising them a better life at his side in order to push them to profit as much as possible from their activity. The amounts of money charged are usually superior to those generally observed in street prostitution.

## 2.2. Nigerian trafficking networks

Nigerian prostitution systematically occurs in human trafficking context – 109 victims of THB networks were identified (12 in 2015). This sharp growth can be explained by an increased focus by specialised investigation services on this particular type of prostitution. From the recruitment in Nigeria and all the way to the European sexual exploitation, the organisation is supervised by “mamas.” In the countries of destination, this activity occurs merely on the street.

An important change regarding the itinerary taken by the victims to get to Europe was noticeable in 2016 – travelling by land was favoured, to the detriment of travel by air. Additionally, the route of Nigerian women through Eritrea and the entry via Greece is not taken anymore. These women now cross Nigeria, then pass through Libya and Italy before entering French territory. Most of the time, they do not arrive in Italy on makeshift rafts like the majority of migrants because their journey has already been paid by the mamas, for which they are going to work in Europe. The preference for land travel is explained by the much lower cost than that of air travel. On average, the transfer costs between €3,000 and €5,000 per victim, compared with €10,000 to €15,000 for air travel. Therefore, this new trend has a direct impact on the development of Nigerian THB networks. Victims can pay back their debt to their mama much more rapidly than before – in the span of one or two years. Those changes in the physiognomy of Nigerian networks are accompanied by a significant modification of the debt incurred to the mamas after their arrival. In three years, between 2013 and 2016, the debt had decreased by 30%, and was on average worth between €40,000 and €50,000 (FR-E14).



The identification of prostitutes during the course of the investigations shows a resurgence of increasingly young victims, though it remains difficult to determine their exact age as Nigeria does not possess a personal records national database (FR-E5). One can also note the propensity of certain victims becoming *mamas* themselves, allowing them to pay their debt back more rapidly than in the past. Some begin as prostitutes, then prostitute-procurer and finally procurer. If they return to their country of origin, nothing is known about their economic and social integration (Quattoni, 2013).

The pressures applied by the *juju* ritual, closely tied to the voodoo tradition, represent one of the most important forms of control imposed by the *mamas*. The weight of *juju* in Nigerian culture is especially heavy in the south-western part of the country (Edo Region), where Benin City is located, home of most of the trafficking victims being exploited in France. Moreover, Nigerian sexual exploitation networks rely both on a strong cultural dimension as well as a solid presence of the Nigerian community throughout the world. They depend on a system of mutual aid based on brotherhoods created at the time of the decolonisation of Nigeria, which favours the group structure of international THB organised crime (FR-E14).

The fight against the exploitation of Nigerian prostitution is a priority for the French police authorities (FR-E9). The latest developments have shown that it accounts for one of the most violent types of human trafficking. Despite the number of networks dismantled every year, Nigerian organised crime continues to develop in every European country and conquers new territories that had been spared so far. After having settled in Spain and Italy – the two main entryways into western Europe coming in from the south – the networks have installed themselves in France, then in Germany and Austria, using Greece and Turkey as immigration corridors to enter into the Schengen area. From here on, north European countries are now being targeted by the same networks. Countries such as Denmark, Sweden and Finland see a certain number of Nigerian prostitutes setting up shop there, whether it is on their streets or in hotels and apartments serving as a cover-up for a type of prostitution organised via the internet. In the context of constant change, Nigerian criminal networks rely on Libya, a country of utmost importance in the organisation of victim transfer. Kept along the Libyan coasts in inhumane conditions, the victims are subject to the whims of organisers and boatmen who wait for the opportunity to get them across the Mediterranean and sell them to the *mamas* already implanted in different European countries.

At the heart of this very lucrative criminal activity, Nigerian brotherhoods have all the control, relegating *mamas* to the lowest position of a very effective and well-oiled organisation. Born in the 1950s in Nigeria's principal universities, these brotherhoods had taken as their mission the fight against the former European colonial powers and struggled to open access for the black population to studies and education. Their members have, however, quickly diverted themselves from this honourable goal and, following splits and fratricidal fights,

have increasingly turned themselves towards organised crime as a whole (Ellis, 2016).

If it is presently not possible to count precisely how many brotherhoods exist, some of them have taken a real importance and have extended themselves beyond the Nigerian borders. It is notably the case with the Black Axe, more specifically present in Italy, which has concluded an agreement with the Calabrian Ndrangheta for the local management of cocaine trafficking (FR-E2). In terms of sexual exploitation, Supreme Eiyé Confraternity (SEC) is the most widespread of these organisations in Europe. After having settled in Spain and Italy, it pursues its expansion on French territory, specialising in prostitution logistics. Similarly to other brotherhoods, the SEC uses a symbol (an eagle with spread wings), a slogan (secret-autocracy-discipline-fraternity-no friend, no fiend), a dress code primarily characterised by a blue beret, as well as a terminology borrowed from the realm of birds.<sup>4</sup>

Like other brotherhoods, the unspoken goal of the SEC stands to spread its territorial influence well beyond the Nigerian borders and conquer Europe, seen both as the symbol of the “white enemy” and an extremely lucrative territory in terms of benefits tied to organised crime, including human trafficking. In order to reach this goal, the organisation permanently seeks to hire new members using false promises (university diploma, a large sum of money to be made), voodoo practices as well as violence and intimidation. Each new member is then submitted to an indoctrination destined to instil the norms, values, and practices of the group, before paramilitary training in order to test the members and their psychological and physical resistance. If they pass the final exam, the new members have to swear allegiance, loyalty, and confidentiality to the chief of the structure during an initiation ceremony called “flight.” SEC members who have been sworn in to the organisation cannot drop out without risk of retribution ranging all the way to murder.

Based on a highly hierarchized and authoritarian structure, the SEC is spread over the country in seven different regional divisions called “nests,” each of them ruled by a chief (IBAKA or IBK) and different levels of command, each referred to by a bird’s name (Ostrich, Nightingale, Eagle, Woodpecker, Canary). At the bottom of the ladder are the performers (Doves) and those without a rank (Rats), whose lives are expendable.

In France, the SEC members necessarily work together with an influential mama within their networks. They serve as “screens” so the members are less exposed. Their role includes hiring victims and sending back the money made from prostitution to Nigeria. The fear that their status as an SEC member creates within the Nigerian community allows them to solve conflicts generated by the oftentimes ferocious competition on French sidewalks (FR-E3).

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<sup>4</sup> *Eiyé* in Yoruba, one of the main languages in Nigeria, means “bird.”

### 2.3. “Deprived neighbourhood” trafficking networks

The year 2015 had already brought to light this emerging phenomenon among problem neighbourhoods throughout the country, and the trend has been largely confirmed by the 2016 investigations. An increase in the prostitution of young French women at the hands of urban offenders can be observed: they represent 13.8% of identified victims (154 women) in 2016 (142 in 2015); 56% of them are under the age of 18 (87). This type of exploitation is particularly common in big urban areas (Paris, Marseille, Lyon, Lille etc.) and is spreading to other cities (Avignon, Cannes, Clermont-Ferrand, etc.). In addition to their young age (17/18 years old), the majority of these victims have a particular profile: psychologically fragile (dissocialised, disconnected from family and school, habitual runaways), they thus become easily exploitable prey (FR-E6).

The procurers are mainly known for common types of crime (theft, extortion, drug dealing). Their average age is 22 years and they regularly rely on violent coercive methods towards their victims (confinement, food privation, death threats, and rape). The victims are advertised via small ads published on the internet. Sexual exploitation is then carried out in cheap hotels or apartments. The procurer manages the logistics and controls the prostitutes, often alone or with two to three accomplices, coming from the same problem neighbourhood.

In judicial terms, this is a type of aggravated procuring (122 identified victims). However, a trend towards the structuring of networks has come to light (32 identified victims). “Poor areas” prostitution is a new phenomenon linked to the social profile of pimps, who come from cities and use violent methods. This prostitution happens in Airbnb apartments or residences-hotels, often rented through fraudulent bank card numbers retrieved from the so-called dark internet (darknet). It is not street prostitution, but a prostitution that is facilitated by online ads (FR-E18).

### 2.4. Chinese trafficking networks

Chinese prostitutes represent 18% of identified victims for 2016, with 42% of them exploited by human trafficking networks. This type of prostitution is in full expansion on the internet: web-masters from the community are hired and rely on specialised or community sites to share ads online. Telephone operators work as intermediaries and make appointments for the clients. The prostitutes then meet these clients in apartments rented by the procurers.

This type of prostitution takes the shape of “sex tours,” and networks do not hesitate to relocate their activities to medium-sized cities (Limoges, Chartres, Saint-Brieuc, etc.). Most of the time, victims come to France deliberately to practice prostitution. Hiring in China is facilitated by the support of smugglers, who help prostitutes obtain tourist visas for France; some get an enrolment in French universities. “Once arrived

on French soil, the victims are harboured by people from the Chinese diaspora who put them in touch with procurers. Generally speaking, the latter handle the logistics but can also delegate the work to accomplices charged with finding accommodations for one or several prostitutes" (FR-E4).

Since the beginning of 2016 in Paris, a decline has taken place, largely related to the activity of the service combatting procuring. This includes several cases realised in the district of Belleville aiming at real estate owners who provide apartments for brothels, or "dormitories," to street prostitutes. Information gathered from prostitutes indicates that they encountered many difficulties to find apartments because of the reluctance of owners and the inflation of Parisian rents (FR-E9).

The street prostitutes that the BRP has had to know are mostly from north-eastern China and peri-urban areas. With an average age of 40 years, they arrive in France via traditional immigration channels for economic reasons. Former prostitutes also serve as a bridgehead in France to criminal organisations based in China and bring their young compatriots providing visas acquired under the guise of tourist stays. They have to pay back a debt corresponding to their passage – between €10,000 and €15,000 (FR-E10).

Like other communities, Chinese networks use webmasters who can sometimes recruit French-speaking switchboard operators who provide logistics for booking hotel rooms, renting apartments via, for example, Airbnb-based community platforms, receiving incoming calls, managing the number of guests and appointments.

Another type – more discrete – prostitution takes place in bars, restaurants or transformed warehouses, housing Chinese karaoke, mainly located in Seine-Saint-Denis. Clients may also be offered a prostitution service, accessible through a network of illegal taxis. The illicit gains are sent to China via a straw man (FR-E10).

## **2.5. Trafficking networks from South America**

South American prostitution remains active on French soil and with 113 identified victims in 2016, it represents 10% of the total sexual exploitation in France, all nationalities considered. Victims are mainly from Brazil (41), Peru (25) and Ecuador (18), with 41% of them exploited in THB networks (31) and without THB (47). Males represent half of identified victims, their activity solely practiced on the street. As for females, they are exploited in apartments rented via ads published online. The majority of the victims come from Spain, this movement being explained by the fall in prices of internet prostitution in Spain. The victims mostly perform sex tours for several weeks, before returning to Spain. It is usually a type of prostitution facilitated by a communitarian mutual aid, with a weak control of the victims by the traffickers (FR-E3).

### 3. FINANCING AND FINANCIAL MANAGEMENT

The law enforcement services in France do not have a strong “follow the money” culture. Certainly, there has been substantial progress, but financial investigations used to work mainly from what is discovered in the places where the procurers live. As a result, the perpetrators have adapted by trying to handle the minimum amount of cash in their apartment (FR-E7).

The financial dimension of human trafficking suffers from a lack of systematic knowledge; nevertheless, the qualitative information allows to draw some patterns (FR-E8).

#### 3.1. Initial capital

As regards initial capital, the tendency is to place the burden on the victim. Generally, procuring networks feed on earnings acquired through prostitution. The more a network “works,” the more it grows and matters, and the more it becomes self-sufficient. Conversely, the Nigerian networks are characterised by a different pattern, since there are credits granted to their victims who are expected to repay this initial investment. There is no evidence for financing THB from other illegal activities such as drug trafficking. A French sociologist (Nguie, 2015) who extensively studied the African tontines concluded that they operate both as financing instrument and socialisation vehicle. In the Parisian (Château-Rouge market) migratory context, African women feel the need to replicate this device: tontines thus become a market integration instrument and a vehicle for socialisation. Moreover, illegal female migrants excluded from the French banking and insurance system resort to tontines as a means of social protection and savings. Through financing projects in their country of origin, tontines establish a bridge between immigrant populations and their relatives back home. In the specific case of female prostitutes, tontines appear to be an instrument of money laundering.

For networks from eastern Europe, if they were to run out of funds, there are usurers, especially in the Roma community, in the villages mainly made up of wealthy traders, who lend at exorbitant rates. Usurers are usually preferred over the banks because the latter refuse to lend to Roma people in the absence of official and declared income (FR-E13).

#### 3.2. The business costs: transport as the most significant expense

The African network requires an investment estimated at between €10,000 and €15,000, depending on the kind of routes used for transportation of the victims (land routes or air routes). By using the air travel, the costs are much higher, which generally causes the purchase of visas in an African country from an employee of a European embassy. Then a

ticket consistent with the issued visa is purchased, and a stopover in Paris is made, in order to set foot in the desired territory. This gives rise to two conditions:

- If the visa was put in the passport of the “future” victim of prostitution, the girl can get off the plane and move freely in the territory.
- If the smuggler recovers the visa and the passport from the victim before she leaves the airport, then she would be apprehended by the border authorities and placed in a retention center. In this case the traffickers hire a lawyer to set her legal status, which usually costs between €1,500 and €2,000.

For its part, the land route is much cheaper since there are only smugglers to pay, but it is riskier because of sea crossings on unsuitable boats.

The east European network, which is mainly by road and clan network, requires an investment estimated at €300, because of reduced travel costs. For girls from the east, outside the European Union, it is necessary to add approximately €500 to pay the company which arranged the invitations on the French territory and the visas.

It is difficult to estimate the investment cost of a Chinese networks because of the multiplicity of European visas obtained, thereby allowing the victims to prostitute in more than one EU country.

From Nigeria, if the cost of transportation drops because of the use of land and sea routes, this entails greater risk taking. Indeed, the crossing of the desert and the Mediterranean Sea is particularly dangerous for the victims. “Tolls” have been established by local insurgent groups especially on the borders of Libya where the victim is forced to pay for her way or to agree to prostitute herself (FR-E17).

Regarding online transactions, it is also necessary to pay for the switch-board – about €20 per appointment made, or about 10% of the service. Furthermore, there are costs for providing security to the prostitutes, i.e. to pay for the security guard that the network uses to provide the service.

The links between procurers and prostitutes continue to persist even if one of them goes to jail. Procurers sometimes accuse their victims of being responsible for their incarceration, and, as a result, request that the prostitutes keep working in order to meet their consumption needs in prison and, above all, to afford lawyers’ services, so that the procurers could be defended (FR-E15).

### **3.3. Settlement of payments**

In some big cities, French prostitutes used to apply rates similar to earnings made in bars, on average €400 per hour. Then, networks from eastern Europe came, which offered significantly lower rates of up to €250 per hour. In the light of an increasing competition and of an



almost steady demand, the rates have stabilised at €150 per hour for a girl met through internet. For street prostitution, the supply is such that we find that a full sexual service is priced at €40, a decrease of 20% in comparison with the rate in force 10 years ago.

Generally, money is collected daily if the procurer acts not far from his victims. Funds are thus collected by himself or by a member of his organisation in cash. If the procurer resides in the source country, he recovers the money by any means available, either by a fellow countryman who is going back to the home country, and who is given money, or through money transfer agencies (Western Union and MoneyGram), or through other informal remittance systems (FR-E18).

For Chinese networks, the funds are collected by collectors or by switchboards that come to an agreement via telephone with the victim, so that she transfers 30% of the profits from prostitution. The prostitute must give them the money at the end of the week. Failing that or disregarding the imposed rules, the girls become target of specially recruited agents, not hesitating to use violence.

In the 1990s, prostitutes were little considered, perceived more as criminals than victims. Since 2016, with the new law, the act of touting is no longer criminalised, although the level of violence remains high, especially from the Nigerian, Albanian, Romanian, and Bulgarian procuring networks. New forms of funds appropriation have emerged and are the subject of commercial agreements with profit sharing between prostitutes and procurers, depending on a percentage determined in advance, taking into account the incurred expenses (accommodation, switchboard, food, health, etc.) of each party. Internet networks have facilitated the funds appropriation by working with a switchboard which allows tracing the earnings of a victim without any errors.

In African networks, victims work under the supervision of their procurer (madam/mama) who keeps the accounts up to date. The victims also have interest in paying their debt to recover their freedom and thus, in most cases, become procurers in turn. The debt bondage helps to expand the prostitution network and pull prices down (FR-E14).

In the case of short-term apartment rentals, the owner is rarely informed of what is happening in his property. Even when he is aware of what is happening in his place, there is no extra billing because the regularity of the rental gives him satisfaction, but also because of possible in-kind profits with the girls in exchange for his silence. Chinese networks rely on French couples who own apartments and knowingly accommodate on request prostitutes to enable them to exercise their activity, either for remuneration or for payment in-kind. In the dismantling of such a network, in addition to the penal sanctions to which they are exposed, all their movable and real estate assets are also seized.

For east European networks, payment is often made through official funds transfers and also through bank transfers, from account to account. For Chinese networks, payment is made by exporting luxury goods

previously purchased in branded stores, in countries where prostitution is exploited, which is difficult to control. In addition, everything is paid in cash, including the rental of apartments like Airbnb. Network members cannot take the risk of leaving traces of their identity. Some procurers have foreign forgery documentation to fulfil leases or send money through remittances companies. However, these fake documents cannot be used to open bank accounts because of their low quality, so it is common that frontmen are used as recipients of money orders in the country (FR-E7).

### 3.4. Profits and profit sharing

#### *The case of east European prostitution*

According to FR-E3, “in a typical network, a procurer manages an average of two of three prostitutes. The remuneration varies between €100 and €300 per day and per victim.” In general, victims receive next to nothing for their work (about €20), the rest of the money given directly to the procurer who spends it in diverse ways (casinos, luxury cars, real-estate goods in their home country).

Some victims, who do not belong to the Roma community, charge a bit more and can make between €300 and €900 per day, depending on the location they occupy on the street (busy places). The procurer makes between €100 and €400 a day from renting the work location. For this specific type of prostitution, the rates of sexual services are between €30 and €50 for a sexual intercourse and can go up to €80 for Hungarian women. On average, the distribution of earnings follows a division at 80% for the procurer, 20% for the prostitute.

#### *The case of Nigerian prostitution*

Nigerians networks make considerable benefits and the money is usually dispatched via an informal value transfer system, which avoids the riskier physical transfer of large sums of money in cash. Frequently called “euro to naira” (Nigerian currency), this system works through a peculiar mechanism: a French agent receives the transfer orders and in exchange gives a code to the sender, that will serve as an identification code for the payment in Nigeria. The agent then contacts the payer in Nigeria (usually a shop owner) and gives him the order of payment in the following order: sender, recipient, sum of money and code. The agent in Nigeria keeps an accounts book in which his outstandings are recorded. The transfer is immediate and will be compensated by the regular sending of important cash sums by a trusted individual, responsible for collecting funds from several agents and sending them to the payer in Nigeria. A commission is deducted in France for the agent and the sender. This system does not leave traces and allows avoiding official exchange rates.

Nigerian women usually charge the lowest prices on the market: between €20 and €40 for sexual intercourse. Considering the debt

incurred by coming to Europe and the daily expenses of the victims (food, accommodation), a Nigerian prostitute gives back to her mama around €3,000 per month. A mama usually manages between one and three girls, but recent trends have shown that five to ten girls can work for the same mama. The organisations have adapted to law enforcement repression and keep the cash in their possession for a very short time, after which it is quickly transmitted to an operator for transferring abroad. In some cases, the modus operandi to launder the earnings comes down to buying second hand vehicles in France, shipping them by containers to west African countries and then selling them locally (FR-E10).

*The case of prostitution linked to “deprived neighbourhoods”*

A procurer manages between two and ten prostitutes. The rate for sexual services is €100 for a half-hour and €150 for an hour. The revenue is usually shared 50% for the prostitute and 50% for the procurer. The head of the anti-procuring enforcement administration in Paris (FR-E9) said that these young adults (usually with criminal backgrounds) do not consider themselves as procurers. They squander their earnings for luxury goods, high-end cars, travels, and holidays.

*The case of Chinese prostitution*

A procurer exploits on average five prostitutes, who can earn between €4,000 and €7,000 a month by sex tours. The pricing ranges around €100 for a half hour and €150 for an hour. Generally, 60% to 70% of the benefits are paid back to the procurer, according to the involvement of the network within the logistics (payment of the plane ticket from China, advance for the rent). Financially, this type of network relies on a well-functioning informal value transfer system: either the benefits made from prostitution are invested in the purchase of luxury goods (designer bags, jewellery)<sup>5</sup> that are exported to China or the money is given to an intermediary in France who, in exchange for a commission, unfreezes an equivalent sum in China that is given to a beneficiary pointed out by the sender. In this case, the Hawala system is also completely integrated in the scheme of money laundering.

*The case of South American prostitution*

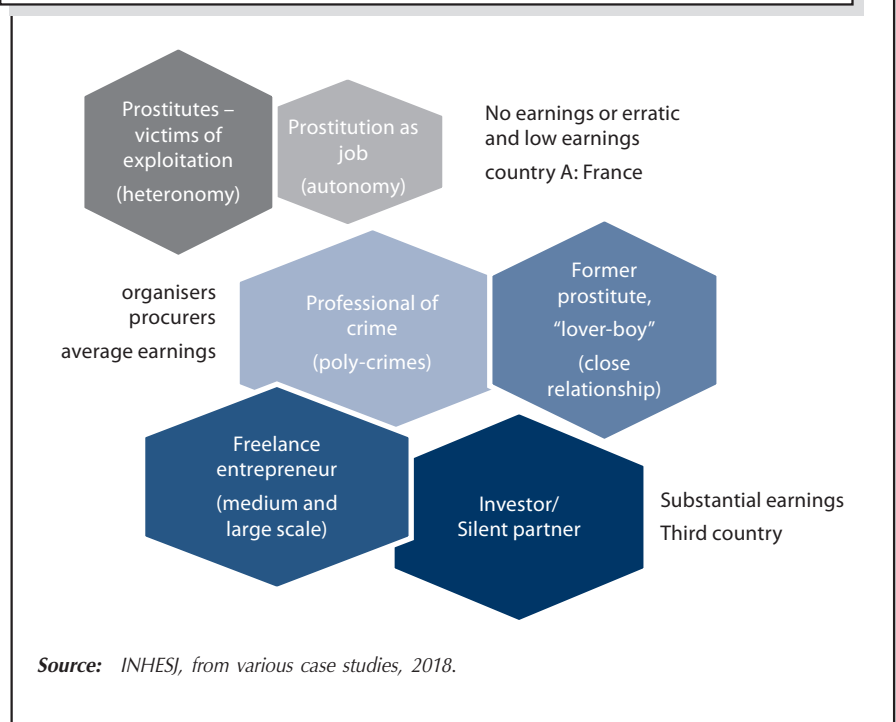
Pricing for sexual relations ranges from €100 for a half hour to €150 an hour. Victims give back on average of 40% of their earnings to the person who facilitated the logistics (apartment rent, appointment making) for their sex tour and can make from €3,000 to €5,000 a month.

Different intermediaries intervene in every stage of exploiting women (see Figure 2): recruiters, multiple facilitators, website developers, advertising managers, travel agencies, hotels, restaurants, “canvassers” who manage the locations on the sidewalk, bouncers in charge of protecting the girls, and sometimes, “solicitors” (bar owners, hotel concierges,

<sup>5</sup> The case of Louis Vuitton© goods is particularly illustrative.

taxi drivers, etc.). Faced with such a complex structure, it is generally difficult to find those who are responsible. Thanks to cell phones and the internet, procurers can manage their business away from the field of operations, without the risk of being caught.

FIGURE 2. THE ACTORS OF HUMAN TRAFFICKING AND EARNINGS



### 3.5. Earnings and their use

Regarding the earnings distribution, it has already been said that this is a kind of contract between two parties and that the terms of this contract are unequal and differ depending on the origin of the victims. A case under investigations in 2018 by the OCRTEH shows that the professionals responsible for the safety of the young victims receive a wage of €1,000 monthly (approximately 3 times the average wage in the home country) with a sum of €300 for food. The earnings of a prostitute in this kind of network are €500 to €800 per day (FR-E3).

Primarily, earnings are used to buy or improve housing in the home country and then to acquire property for rent in order to profit when the activity is over. The large networks from eastern Europe also invest their money in hotels, bars, or even in night clubs that will be used to hire further victims. As a result, only large networks are investigated for their assets because no answer is given by the African countries, and because of the lack of cooperation with China. In Roma networks, the money is spent buying vehicles, gambling and paying for parties (FR-E4). Earnings obtained by the *banlieues* networks are as a rule immediately spent in a conspicuous consumption manner.

## 4. THE ROLE AND IMPACT OF THE INTERNET ON HUMAN TRAFFICKING ACTIVITIES AND FINANCES

In 2015, 78% of people residing in France used the internet in the preceding three months, compared with only 56% in 2007 (Institut national des statistiques et des études économiques, 2017). The accelerated development of mobile internet accompanies these evolutions. Almost all prostitution markets presented above have an online component. The internet inevitably affects the contours and practices of human trafficking. Supply and demand of sexual services are prone to use internet to develop their activities. Most of the websites are hosted abroad which makes it difficult for the law enforcement to initiate investigations. Networks use websites based in third countries, or common advertising sites such as Vivastreet, Wannonce or Coco. The encounters take place in accommodations rented through Airbnb.

From the point of view of law enforcement, the internet has both advantages and disadvantages – it is easy to use for illegal purposes (e.g. organise the transactions, settle payments and transfer the money abroad for the purpose of laundering), but at the same time, it leaves traces that can help the investigation.

**Prostitution exclusively organised via escorting websites** is essentially dominated by procuring networks from ex-USSR countries (Russia, Ukraine). The ads are put out on specialised websites and the sexual activity takes place either in luxury hotels or in apartments rented for short periods of time. It is usually a sex tour type of prostitution offer, with victims staying for a couple days in a city before leaving for somewhere else in France or to another country. Escorting agencies manage the appointment making after the publication of the advertisements, telephone operators being systematically accommodated outside the EU (FR-E9). Prostitutes move around the entire territory, mostly in big urban centres (Paris, Marseille) but also in resorts (Cannes, Courchevel).

Procurers settled in eastern Europe (Russia and Ukraine, mostly) take 50% of the total benefit of each sexual encounter. An escort girl earns between €600 (places other than Paris) and €1,000 (Paris) a day. Rates for sexual relations range from €100 for 30 minutes to €1,500 for the whole night. The web is very useful in an underground milieu, with the ability to pay the services using internet banking (there have been no recorded instances of bitcoin use).

## 5. FINANCIAL INVESTIGATIONS OF THB CRIMES: CHALLENGES AND GOOD PRACTICES

The main drive of sexual exploitation criminal groups is the search for maximum profit. Increasing profits are generated by this criminal activity throughout the European territory and are reinvested in the countries from which these networks originate. To combat this, within the framework of the Europol strategic orientation plan EMPACT, a sub-project is dedicated to financial investigations and the seizure of criminal assets in the human trafficking field in order to identify money circuits proceeding from sexual exploitation and to strengthen the cooperation on cross-border assets confiscation. The financial analysis of Europol estimates that the annual profits linked to human trafficking amount to €1.8 billion, and evaluates the revenue of a sexually exploited victim to amount to around €9,500 per month (FR-E1).

At the national level, seizure of criminal assets has become a full-blown inquiry line in investigations. To fight as efficiently as possible the criminal financial flux tied to sexual exploitation, the investigators attempt to identify the net profit made by networks and the methods of reinvestment of this money abroad. The assessment figures depend on the number of exploited victims, which can change from one network type to another, and the prices of the sexual services charged, which directly depend on the format of the prostitution offer (street prostitution has the lowest prices of the market, compared to those charged by internet prostitution). The durability of the network is another determining factor in the global consideration of generated revenue.

Once the criminal income is estimated, it becomes easier to grasp the network in terms of its assets, thus allowing to direct investigations towards money laundering schemes abroad. At this stage in the inquiries, international bilateral cooperation is a determining factor for the investigation, the aim being to identify the goods acquired by the procurers in their home countries in order to proceed to their definitive seizure.

In sexual exploitation networks there is a clear propensity towards reinvestment of criminal revenue in real estate in the country of origin, as well as in the purchase of luxury consumer goods (designer purses and jewellery). The mobilisation of specialised investigating services has allowed for better knowledge of the profits generated and the financial circuits used by trafficking criminal organisations. The OCRTEH has recorded an increase of more than 300% of criminal assets seizures in 2016 compared to 2015, which amounts to €1,275,000 (FR-E3).

The designation “financial approach to human trafficking investigation” is not entirely new (cf. Cacho, 2012, p. 200). This approach can fundamentally be understood as **an approach that apprehends and governs the human trafficking phenomenon from a strictly financial point of view**. The financial approach is thus firstly based



on the assumption that the human trafficking phenomenon pertains to a dynamic that is eminently profit driven. This proposition is indeed confirmed with respect to trafficking victims, as studies have shown that it is essentially socio-economic precariousness that pushes individuals to submit themselves to various exploitation systems (economic or sexual). The proposition is even more valid when it comes to the traffickers: indeed, it is strictly the benefit linked to the trafficking activity that justifies its exercise – the expression “high profit and low risk” used concerning the phenomenon is extremely revealing in this regard.<sup>6</sup> Thus, the financial approach is one which **offers a way to act against this phenomenon through measures of a financial nature.**<sup>7</sup>

We will first examine **the perception of the financial approach to investigating human trafficking**, taking into account that its effectiveness eminently depends on objective knowledge. Then, we will question **the experience of the financial approach** concerning trafficking, taking note that the financial measures in the fight against human trafficking meet with evident difficulties of application, which raise questions on how to improve public policies in this field.

### 5.1. A relative lack of knowledge of the financial approach

The financial approach initially suffered from a sort of rejection, mostly because of lack of knowledge about its nature among law enforcement officials. (FR-E11). Doubtless, this lack of knowledge stems from the way its transposition into national law was carried out, which complicated the comprehension of concerned measures. To start with, we can emphasise that the measures constituting the financial approach (tracing, identification, freezing, seizures, confiscations, money laundering sanctions for capital accumulated by human trafficking) are found in texts of various levels – international,<sup>8</sup> European,<sup>9</sup> and national – which form in many ways a wide kaleidoscope. Even though it is not rare for an infraction to be governed by texts of various origins, the fact remains that this does not help with the intelligibility of the law or the unification of the measures in question: not only do the texts overlap only to some extent, but one also

<sup>6</sup> It is in fact this financial parameter which allows to distinguish between human trafficking and migrant trafficking, as soon as human trafficking generates – by the exploitation of its victims – a permanent revenue to the trafficker, whereas when it comes to migrant traffic, the profit made is one-off, considering that the link between the migrant and trafficker ceases as soon as the border is crossed. On the question of profits, see Belser, 2005.

<sup>7</sup> This option is justified by the fact that traffickers are sensitive to those patrimonial sanctions, more than to incarceration: as soon as it is possible for them to financially benefit from the traffic (during and especially after the incarceration period), the prison is thus perceived as a calculated and accepted risk.

<sup>8</sup> The 2003 additional Protocol to the UN Convention against transnational organized crime, and the UN Convention itself of which its dispositions are applied *mutatis mutandis* to the Protocol.

<sup>9</sup> See the 2005 Council of Europe Warsaw Convention, the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, and the EU Council's Framework Decision 2002/629/JAI, Directive 2011/36/EU of the European Parliament and Council of April 5<sup>th</sup>, 2011.

needs to take into account the ratifications and transpositions of various chronology by the states,<sup>10</sup> besides the possibility they have of expressing reservations, which in the end leads to the impression of a rather complex regulatory framework. The frequent use of references to other legal acts in terms of financial measures makes it even more complex, as one can notice by reading the 2003 additional protocol to the United Nations Convention against Transnational Organised Crime,<sup>11</sup> or even the 2005 Warsaw Convention.<sup>12</sup> If the concept of referring one legal act to another is obviously not questionable or problematic in law, nevertheless the effect achieved by this type of legal construction in “two steps” can be doubly negative. On one hand, this cross-reference between documents *de facto* leads to an even bigger splitting up of texts relative to the financial approach to human trafficking, which makes it harder for its actors to master intellectually and therefore weakens its application. Furthermore, a sort of unconscious disregarding of the referred text and the measures contained in it from the actors is to be feared, as though the financial measures figuring in the referred texts were only secondary and thus, less effective (see Dandurand, 2012, p. 220).

The relative lack of knowledge of the financial approach by the actors of the fight against trafficking can also be explained by deficiencies in the received training. The phenomenon is not new: we know that the necessity of raising actors’ awareness (police, judiciary) on the general question of human trafficking was ignored for a long time, until the reality of this phenomenon and the proportion it had taken forced its taking into account and justified the implementation of mandatory training seminars, both in police-gendarmerie schools as well as those training future magistrates. Today, however, if one wishes that financial measures be deployed by the very same actors, it is necessary to perfect their human trafficking expertise, but also develop in them a strong “financial culture.” Yet, in practice, one finds regrettable the default of those teams who enjoy this double trafficking-and-finances specialty.<sup>13</sup> It has indeed been observed that, according to the signatory states, specialised anti-trafficking teams exist to fight against the phenomenon – but they lack financial expertise and often exclusively focus themselves only on the trafficking infraction and neglect the financial infractions (money laundering) and measures (freezing, seizures, and confiscations) that are tied to it.

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<sup>10</sup> See European Commission Memo/13/1005 of November 20<sup>th</sup>, 2013.

<sup>11</sup> If the 2003 Protocol added to the UN Convention against Transnational Organised Crime indicates in its introduction that an effective action aiming to prevent and fight against human trafficking necessitates a “global” and international approach, it does not however contain any disposition relative to the financial approach, it is only because of the general dispositions that the Protocol proceeds to a referral, indicating that it “completes the UN Convention,” whose dispositions are “applied *mutatis mutandis* to the Protocol, unless stated otherwise” and do concern financial measures.

<sup>12</sup> See article 23-3 Paragraph 3 of the Warsaw Convention, though it does not directly mention the infraction question of money laundering: it is the 141 Convention of 1990 that applies by its article 6 which provides for the obligation of all parties to incriminate laundering.

<sup>13</sup> The statement is general: there are few teams that have a double specialisation. The French Border Guard has created in 2011 a specialised unit for tracing, seizure, and confiscation of criminal assets. The amount of the seized assets in 2011 went up to €1.66 million, or 8 times more than in 2010, which seems to show the effectiveness of the new measures.

These observations highlight the necessity of promoting a more comprehensive training to the actors of the fight against human trafficking in general but also more particularly in terms of financial means. The necessary multidisciplinary approach implied by the financial approach of human trafficking does not only work through the training of various actors but also through their cooperation.<sup>14</sup> This implies the creation of new mixed specialised teams of investigators and magistrates – financial and trafficking section – at the level of the financial investigation, and the recruitment of more financial specialists in the judiciary, at both the public prosecutor's department and examining magistrate levels, in order to implement the whole of the preventive and repressive measures of financial nature (FR-E12).

## 5.2. Recent advances

The most recent institutional developments with regard to tackling the proceeds of crime in France include the establishment of several important institutions. In chronological order of appearance these include:

- The establishment in 2004 by Europol of the CARIN network (Camden Asset Recovery Interagency Network)<sup>15</sup> as an informal network of practitioners and experts with the specific objective of improving mutual knowledge of methods and techniques – including in the domain of transnational cooperation – in terms of identification, freezing, seizures, and confiscation of the proceeds of crime.
- In 2005, the Criminal Assets Identification Platform (PIAC) was established in France – a police unit<sup>16</sup> responsible for the identification of criminal assets, including those deriving from human trafficking, which serves as a tool at the disposal of investigators and magistrates and which has the power to lead financial and patrimonial investigations under the supervision of a legal authority.
- In 2010, the French Agency for Managing and Recovering of Seized and Confiscated Assets (AGRASC) was established, with the aim to manage all seized and confiscated goods, as well as ensuring the priority compensation of civil parties' from the confiscated assets.

AGRASC has become the Bureau of Assets Recovery and has been increasingly active<sup>17</sup> – proof of the financial approach's dynamism in terms of human trafficking and more generally activities stemming from organised crime. In France today, the institutional network is thus very tightly knit with these three institutions<sup>18</sup> that allow, among other things,

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<sup>14</sup> The ineffectiveness of the cooperation between the different actors in the fight against THB needs to be underlined. In some cases, a money laundering investigation can be opened in parallel with a trafficking one, but the outcome is uncertain because of the lack of cooperation between the competent institutions.

<sup>15</sup> The aim of CARIN is to increase the effectiveness of members' efforts, on a multi-agency basis, in depriving criminals of their illicit profits. It also serves as an expertise center that promotes good practices and provides recommendations to various institutions such as the European Commission and the European Council.

<sup>16</sup> It is multidisciplinary: police, gendarmerie, civil servants from various departments (taxes, tariffs).

<sup>17</sup> See AGRASC's 2012 annual report.

<sup>18</sup> See also the STAR initiative, the Egmont group, etc.

to facilitate and make progress in the implementation of the financial approach in terms of human trafficking from start to finish: from the financial investigation which allows criminal assets to be located and monitored (via CARIN and the PIAC), up until their final management-sharing-distribution, or their restitution (via AGRASC) (FR-E17).

### **5.3. Actual practice of the financial approach when dealing with human trafficking**

If the perception of the financial approach with regard to the fight against human trafficking seems to have evolved in a positive way, its practice remains nevertheless fairly problematic. Yet, this means a discrepancy between theoretical issues and practical immaturity. If the practice of financial measures is relatively defective, a significant part of these difficulties seem to be inherent in the phenomenon of human trafficking itself, that is to say to its conspiracy, which is employed by the traffickers in order to disrupt those financial measures and/or to make them less effective. This statement can be verified through two elements that constitute singular features of human trafficking compared to other criminal infractions and thus hinder the practice of financial combat measures: the attitude and route of trafficking victims, on the one hand, and the important share of cash payments resulting from the trafficking, on the other hand.

When it comes to the victims, the necessity of their participation in the fight against trafficking, including financial investigations, should be emphasised, in particular as regards the denunciation of the crime through the filing of complaints or giving information to authorities on the network or the use and destination of the funds generated by the activity of exploitation (FR-E15). These measures are essential to start an investigation and for its advancement, and they are based on the collaboration of victims. Yet, especially when it comes to trafficking, most of the victims are passive or even accomplices, thus decreasing the effectiveness from the potential implementation of financial measures. To understand this passivity or complicity, one needs to be reminded that the victims of trafficking are often constrained by a “passage debt”<sup>19</sup> (linked to the crossings of international borders, especially in the case of Asian and sub-Saharan countries), contracted at the beginning of the travel and that will be at the start of their retention in a situation of exploitation (sexual or economic). This debt – which should in theory be paid back gradually over time, by imputation of sums resulting from the forced work imposed on victims – is very often a bottomless pit since the victim in question would be systematically extorted by the network, to the point where the debt would be maintained – or even increased (Poulin, 2003) – leaving the victim without any solution. From then, the day-to-day condition is one of silent suffering and the only way out of this lifelong imprisonment resides in the victim’s capacity to climb the ladder of the criminal organisation, until she starts exploiting

<sup>19</sup> The passage debt ranges from €5,000 to €50,000. Prostitution is a way to repay this debt rapidly, since the passage cost is relative to the difficulty of crossing the borders. The higher the debt, the longer the prostitution work has to be to pay it back.

other victims. This form of progression is well known in the prostitution sphere, where prostitutes sometimes become procurers, or pimps, and buy back their freedom by recruiting other prostitutes (FR-E18). Thus former victims become in turn the new victims' creditors (Simoni, 2010). These characteristics of the victims explain why financial measures are difficult to put in place: as long as the victims are either inert (by weakness) or become accomplice to the trafficking (by necessity), it becomes useless to wait for their filing of a complaint against their traffickers and participate in exposing the reality of the trafficking or tracking the amount of money generated by this activity, in view of their freezing, confiscation and the blocking of a money laundering operation.

#### 5.4. The recurring issue of international cooperation

Human trafficking also occurs on a transnational dimension, which increases the difficulties for the implementation of tools to identify money laundering schemes, since the cooperation between states becomes an indispensable element in the process of fighting this type of crime.<sup>20</sup> One of the main issues is the relation between the state where THB occurs, called the "claimant" state, which initiates judicial proceedings with the aim of freezing, seizure and confiscation, and another, called the "requisitioned" state, in charge of executing the rogatory measures of seizure and confiscation initiated by the claimant state, since in practice criminal assets are identified abroad. This common approach of traffickers seeks to complicate states' repressive actions and preserve their proceeds from confiscation. The difficulties in cooperation still remain a main source of inefficiency: it is a source of paralysis of penal and financial measures against THB (FR-E11).

This can be explained by the complex dimension of cooperation, independent of the context in which it happens: the divergences between Roman judicial traditions and the common law jurisdictions, the dualist or monist conception in terms of incorporation of international law within national law, as well as the linguistic barriers are all recurring obstacles to cooperation. But when this cooperation is carried out with a view to seize or confiscate criminal assets, specific difficulties add on to those already mentioned.<sup>21</sup> Indeed, beyond the lack of strategic framework for cooperative actions in this matter,<sup>22</sup> the main obstacle is obviously based on the eclecticism of seizure/confiscation regimes in different states – some of them applying a system based on "goods" which allows to seize/confiscate goods deemed to be the product or instrument of the crime, others working with a system based on "value" that allows to determine the value of the product or instrument of the crime and to seize/confiscate the equivalent value from the trafficker.

<sup>20</sup> See on this theme, Lavaud-Legendre, B., "La coopération répressive en matière de traite des êtres humains-du droit à sa mise en œuvre", *Cahiers de la sécurité et de la justice*, n° 29, Octobre 2014.

<sup>21</sup> On the difficulties see chapters VI and VIII of UNODC, 2013.

<sup>22</sup> See Ministry of Foreign Affairs, Report "Strategic Evaluation of cooperative actions in the fight against human trafficking" October 2013.



Still others apply cumulatively the two aforementioned systems, which sometimes leads to a telescoping of the claimant state's demands with the working regulations of the requisitioned state, thus risking to render the cooperation entirely ineffective. In the same perspective, one also needs to underline the lack of exact correspondence in the regulations of states called upon to cooperation when it comes to offences leading to confiscations, or their specific definition as regards the necessity of the delinquent's preliminary indictment, pertaining to the rule of required proof, or even when it comes to the conditions in which third parties' goods can be confiscated. Besides, in implementing legal cooperation procedures for seizure and confiscation it cannot be ignored that it remains under the condition of an extremely formal procedure,<sup>23</sup> imposed time frames, as well as required information, which does not facilitate its implementation and partly explains the rather disappointing results of the financial investigations as a tool for fighting THB (FR-E3).

Despite these weaknesses, the increasingly active participation of EU agencies opens new perspectives of cooperation. At the European level, the creation of joint investigation teams<sup>24</sup> is a progress not only for the financial investigation but also for the transnational police and legal cooperation. This also underlines the reality of the association between Europol and Eurojust to transnational affairs of human trafficking, and the increasing success that results from it.<sup>25</sup> The other interesting initiative is seen at the level of the implementation of measures of freezing, seizure and confiscation – it involves the implementation of a mechanism aiming to facilitate demands of legal mutual aid in that matter. With China and Nigeria, the international cooperation faces some obstacles, but there is progress due to direct interpersonal contacts (FR-E4).

European institutions are crucial to strengthen the fight against THB networks – Eurojust for the establishment of JITs, and Europol for the exchange of operational intelligence. In the meantime, bilateral cooperation with some countries remains an ordinary tool (FR-E11). Romania is a key partner in bilateral police cooperation because of the return issues in terms of internal security. Operational exchanges are widely implemented, as currently illustrated by the detachment of 14 Romanian police officers in the French police and gendarmerie services (which is reinforced during the Christmas holidays), as well as the detachment of three French liaison officers of the Central Directorate of Border Police on border crossing points (air, land, sea) in the context of Romania's accession to the Schengen area (FR-E17).

In criminal matters, France and China are bound by the Franco-Chinese agreement on mutual legal assistance in criminal matters, signed in Paris on April 18, 2005 and in force since September 20, 2007. The predictable

<sup>23</sup> LOI n° 2010-768 du 9 juillet 2010 " visant à faciliter la saisie et la confiscation en matière pénale ", JORF n°0158 du 10 juillet 2010. Chapitre III : dispositions de coordination, relatives à la coopération internationale et à l'outre-mer.

<sup>24</sup> Framework Decision 2002/465/JHA (13/06/2002), as well as Créatin, 2000, Coz, 2008, and Samuel Vuelta Simon, "L'entraide judiciaire internationale," *Revue de science criminelle et de droit pénal comparé*, n°2, avril/juin 2007.

<sup>25</sup> See the conclusions of the Eurojust 2012 Report, p. 27, and – as regards France – GRETA, 2012.



development of population flows and the concomitant phenomenon of organised crime (procuring) are all indications of an expected improvement of the relations between the two countries, thereby developing of judicial proceedings in a clearer framework and in accordance with French requirements.

Through 23 measures adopted between 2014 and 2016, Nigeria committed to implementing a policy of repression by making the fight against human trafficking a top priority. The measures include increasing funds for prevention of prostitution, which is provided for by the law aimed at strengthening the fight against the prostitution system. Although the implementation of the 23 measures of the plan is still partial, it seems that Nigeria tends to open up to an international policy against human trafficking with the obvious aim of curbing this crime.

The link between the financial approach and compensation can also be made more explicit. Victim compensation<sup>26</sup> is part of the objectives pursued by many international organisations (FR-E15), such as the European Court of Human Rights, the International Criminal Court, and UN Women.<sup>27</sup> The promotion of compensation for victims could motivate them to cooperate. The opportunity to develop special funds in that sense could be productive in terms of (public) response. The funds could be supplied by the repayment of fines imposed on traffickers, as well as by the confiscation of criminal assets. The multiplying of criminal assets seizure and confiscation could thus contribute to facilitating financial compensation for the victims of human trafficking.

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<sup>26</sup> On this issue, see chapter 8 of UNODC, 2009, in particular, item 8.12.

<sup>27</sup> Thus, section 6-6 of the UN Convention provides that “each State Party shall ensure that its legal system measures provides the victims of HT an opportunity to obtain compensation for the harm suffered”, that s. 15-3 of the Council of Europe Convention provides that “each Party shall provide in its domestic law the right of victims to be compensated by offenders”; Directive 2011/36/EU enshrines its art. 17 on compensation to victims, providing that “Member States shall ensure that victims of trafficking in human beings have access to the existing schemes for compensation to victims of violent intentional crime”.

## LIST OF ABBREVIATIONS

<b>AGRASC</b>	Managing and Recovering of Seized and Confiscated Assets Agency
<b>BPM</b>	Minors Protection Brigade, Paris Police Prefecture
<b>BRP</b>	Brigade Fighting Procuring, Paris Police Prefecture
<b>DCPJ</b>	Central Directorate of Judicial Police
<b>GIR</b>	Regional Response Group
<b>GRETA</b>	Group of Experts on Action against Trafficking in Human Beings, Council of Europe
<b>INHESJ</b>	Institut National des Hautes Etudes de la Sécurité et de la Justice, France
<b>JIRS</b>	Specialised interregional courts fighting organised crime, Ministry of Justice
<b>MoI</b>	Ministry of Interior
<b>MoJ</b>	Ministry of Justice
<b>NGO</b>	non-governmental organisation
<b>OCRTEH</b>	Central Office for Combatting Human Trafficking
<b>PIAC</b>	Criminal Assets Identification Platform
<b>SEC</b>	Supreme Eiyé Confraternity, Nigeria
<b>SIRASCO</b>	The Intelligence and Strategic Intelligence Information Service on Organised Crime, Central Directorate of Judicial Police
<b>THB</b>	trafficking in human beings
<b>UNODC</b>	United Nations Office on Drugs and Crime

## LIST OF INTERVIEWEES

Respondent code	Position/Department	Institution/Role
FR-E1	Head (commissioner)	SIRASCO, DCPJ, Collecting the data necessary to the analysis of the organized crime groups' activities from the French administrations
FR-E2	Head (commissioner)	Central Office against Organised Crime, DCPJ, Specialised Office
FR-E3	Head (commissioner)	OCRTEH, DCPJ, Specialised Office
FR-E4	Police officer, Deputy Head	OCRTEH, DCPJ, Specialised Office
FR-E5	Head (commissioner)	Minors Protection Brigade, Paris Police Prefecture
FR-E6	Police officer	Chief of the operational section Minors Protection Brigade, Paris Police Prefecture
FR-E7	Head (commissioner)	Regional Response Group, Paris Police Prefecture
FR-E8	Deputy head	Regional Response Group, Paris Police Prefecture
FR-E9	Head (commissioner)	Brigade Fighting Procuring, Paris Police Prefecture
FR-E10	Deputy Head (police officer)	Brigade Fighting Procuring, Paris Police Prefecture
FR-E11	Magistrate	Head of the Investigation Division, Court of Appeal of Paris
FR-E12	Magistrate	Specialised Interregional Jurisdiction, Criminal court of Marseille
FR-E13	Sociologist	Consultant
FR-E14	Research fellow (Law)	Centre for Comparative Labour and Social Security Law, a joint research unit operated by the University of Bordeaux and the National Centre for Scientific Research (CNRS – is a public organisation under the responsibility of the French Ministry of Education and Research)
FR-E15	Coordinator	Association "Together against trafficking in human beings," Caritas France (Secours Catholique)
FR-E16	Research Fellow, Demographer	National Observatory on Crime and Criminal Justice
FR-E17	Deputy head (commissioner)	Sub-directorate fighting organised crime and financial crime, DCPJ
FR-E18	Head	Documentation Centre, OCRTEH, DCPJ, Specialised Office.

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# FINANCING OF TRAFFICKING IN HUMAN BEINGS IN GERMANY

In Germany, first forms of “girls trade” emerged around 1840, mainly trafficking children in order to introduce them into prostitution. This crime was mainly practiced by single persons and quickly forbidden by the authorities (Hofmann, 2002). In Bremen, the so called “Bremer Reglement” of 1852 set the rule that prostitution was not to be treated as a “real business.” Following this differentiation, it became possible to legally define prostitution as an immoral business delimited from legal business (Schmitter, 2013). In 1876, the first broader regulation of prostitution became effective and brothels were only allowed in special districts, while the women were barracked in brothels, stripped of their rights and easily exploited by the licensed establishments. This rather liberal approach changed towards a more repressive handling during the Second World War when pimps and prostitutes were preventively arrested and placed in concentration camps in order to maintain public order. At the same time, state-owned brothels were opened in order to keep morale high in the army and the broader working population (Hofmann, 2002). From 1940 to 1942, around 35,000 persons were forced into prostitution (Hofmann, 2002). In the 1950s, the state-owned brothels for forced prostitution were closed and it took until 1960s to legally open off-limits areas where prostitution was tolerated. While poverty, lack of perspective and bad housing conditions facilitated prostitution, human trafficking played no significant role any more, as the special post-war situation had created a disproportionate relation between men and women, German women were rather sold abroad, than foreign women trafficked into Germany.

When talking about forced prostitution, we see that human traffickers exploit legal as well as illegal migration flows in order to recruit women under false pretence (e.g. related to the high demand of job opportunities) and then force them into prostitution. The incentives for the perpetrators are high profit margins coming along with a comparatively low risk of detection and conviction. Still, forced prostitution is not a legal term, as in public discussion there are also arguments for prostitution being per se a consequence of male power structures exerting force upon women (Gerheim, 2012).

Organised human trafficking – although it was present before that time – expanded in Europe after the collapse of the communist bloc and strengthened during the Yugoslav wars of the 1990s and the following the Schengen Agreement and the establishment of the European Single Market in 1993 (Aghatise, 2004; Galiana, 2000). Since then, mostly young women from eastern Europe are being lured by organized gangs to western Europe promising them profitable work as waitresses or *au pairs*. After their arrival their papers are taken away, so they cannot move freely in the foreign country.



The legalisation of prostitution in Germany since 2002, without rigid controls in the location where potential victims of human trafficking prostitute themselves, made Germany an “Eldorado for pimps and brothel managers” (Cho, et al., 2013), a situation, however, that might change in near future with the implementation of the 2017 Protection of Prostitution Act (Prostituiertenschutzgesetz, ProstSchG)<sup>1</sup> and its inherent regulations.

During the last few years, the number of investigations in the field of human trafficking remained constant. While the proceedings on labour exploitation declined a bit, the police had to cope with a high number of unreported cases in both sexual and labour exploitation.

Generally, prostitution and human trafficking are not easy to define, as they undergo constant changes as social phenomena. All experts interviewed for this report implicitly or, often enough, explicitly referred to the UN Convention against Transnational Organised Crime of 2000 and the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children. Although this protocol does not have a status of binding international law, it still has an important impact as a transnational cooperation agreement, where for the first time human trafficking is defined in detail. In it, the crime is defined as recruitment, transport, accommodation and reception of persons including the threat or exertion of violence or other forms of coercion, kidnapping, fraud, deceit, abuse of power or taking advantage of helpless people or receiving of payments or other benefits in order to obtain an agreement with a person coercing power over another person. Additionally, the perpetrator has to have the intention to exploit the victim sexually.

In German criminal law human trafficking (§180b StGB) is defined as undue enrichment by exerting an influence over a person in dire (financial) straits, to prostitute herself to the benefit of the perpetrator (Abs. 1 Satz 1). This is being sanctioned by a fine or imprisonment up to five years. Profiting from or facilitating the sexual exposure or prostitution of a helpless person in a foreign country for financial gain (Abs. 1 Satz 1 and 2) can result in imprisonment of up to ten years. Added is facilitation of sexual action with minors (under 16) sanctioned by a fine or imprisonment up to five years.

Procurement is treated as a concomitant crime of human trafficking and forced prostitution and is regulated in article 181 of the Criminal Code, where persons exploiting sex workers or gaining pecuniary advantages by controlling and directing sex workers or procuring contacts with clients are to be sanctioned by imprisonment of up to three years. The interest protected by this law is the sexual self-determination of sex workers and their personal freedom to decide upon their sexual contacts; while the punishable crime is the forced dependency of the sex worker and the impairment of their personal autonomy.

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<sup>1</sup> The Protection of Prostitution Act (ProstSchG) was adopted in October 2016 and put in force in July 2017. Core elements are a licence necessary for any kind of sex work, in order to fight criminality and protect the sex workers. Since its implementation, the law has been discussed controversially.

The data summarised and analysed here reflect on the numbers and assessments as published in the annual reports of the German Federal Office of Criminal Investigation (Bundeskriminalamt, BKA). The overview of the situation with human trafficking as published by the BKA is based on numbers of completed investigations (Bundeskriminalamt, 2017). In addition to literature research (academic literature and press reporting of relevant cases), nine expert interviews were conducted. Four interviews were conducted in the Bundesland Bremen with police officers working in the departments countering human trafficking and forced prostitution (GE-E1/4).<sup>2</sup> The officers are responsible for the cities of Bremen and Bremerhaven. Another two interviews took place with prosecutors having worked on cases in the trafficking in human beings (THB) for sexual exploitation field (GE-E5/6). They were especially relevant to contextualise the difficulties of THB trials and the role of victim support organisations as main witnesses in these kinds of trials. Two interviews were then conducted with members of NGOs engaged in victim protection in the context of THB for sexual exploitation (GE-E7/8) and one with a politician who organised several conferences in this field and was engaged in an awareness raising campaign (GE-E9). The interview sample was chosen to best represent the case of Bremen as a Bundesland. A deeper qualitative insight into one case was preferred to a broader national focus that would necessarily have been more superficial.

## 1. MARKET OVERVIEW

“Human trafficking and forced prostitution are so called ‘control crimes,’ i.e. if you do not control, there is no reported criminality in this field. Therefore, the number of unrecorded crimes correlates with the energy we put into investigations. Unfortunately, in Bremen the number of investigators is not sufficient to fully uncover the underlying structures in this field” (GE-E4).

Usually, it is women who become victims of human trafficking for sexual exploitation, while men more probably become victims of human trafficking for labour exploitation. The majority of traffickers as well as their victims come from Germany or from southeast European countries.

In 2016, for the first time statistical data on the exploitation of minors were collected. Specific exploitation practices and dependency relations of the victims and their exploiters, who often come from the victims’ close social or familial environment, make investigations particularly difficult. Therefore, trafficking of minors has been extended to commercial sexual exploitation of minors. “This includes sexual abuse by adults and payment of the child or of a third person in monetary or other form. The child is not only treated as a sex object but also as a commodity”

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<sup>2</sup> The sources have been coded in order to preserve their anonymity. The first two letters of the code indicate the country, “E” indicates an expert. The description of the background of the individual sources referenced can be found in the list of interviewees in the references section.

(Bundeskriminalamt, 2017). In 2016, 145 investigations with 214 minor victims were conducted.

In 2016, 363 investigations were completed in the field of human trafficking for sexual exploitation. Compared to the previous year (364 investigations) the number remained constant. The share of investigations with only German victims was 20% (2015: 24%), i.e. most investigations were related to proceedings related to foreign victims.

Compared to 2015, the distribution of the proceedings at the regional level remained stable. About 60% of the investigations took place in the federal states of North Rhine-Westfalia, Berlin and Lower Saxony. The different quantity of reported cases is to be attributed to different prioritisations by local police as well as to the existence of specialised departments. The number of labour exploitation investigations decreased in 2016. Twelve investigations were closed in 2016, seven fewer than in 2015 (19). Twenty-seven suspects were involved in the trials (2015: 24), as well as 48 victims (2015: 54).

**TABLE 1. COMPARISON OF INVESTIGATION STATISTICS FOR SEXUAL AND LABOUR EXPLOITATION, 2016**

Sexual exploitation	Labour exploitation
363 investigations	12 investigations
524 suspects	27 suspects
488 victims	48 victims
95% female	71% male
85% victims from Europe	75% victims from Europe

Source: Bundeskriminalamt.

Concerning THB for sexual exploitation, the annual national BKA reports show a decline in investigated suspects. In 2016, there were altogether 524 suspects registered in the concluded investigations. Compared to 2015 this is a decline of 9%. German suspects were the biggest group (145: 28%), followed by Bulgarian (81: 16%) and Romanian (78: 15%) suspects (Poland: 12, Turkey: 27, Hungary: 39, other: 37, Africa: 16, Asia: 13, America: 3, unknown: 73). Eighty percent (419) of the perpetrators were Europeans and 73% of the suspected traffickers were male (381).<sup>3</sup>

Nigerian criminal networks form an exception insofar as women play a central role in the exploitation process (Europol, 2016). The typical structure of criminal groups engaged in THB consists of loose networks linked by kinship or ethnic ties (Europol, 2016). According to findings of

<sup>3</sup> For 19 suspects no further information could be obtained.

Europol, people from Nigeria are mainly engaged in THB from Africa for sexual exploitation. After recruitment in their home country the victims are smuggled, given identity documents and then transferred to prostitution businesses. Often the traffickers use voodoo rituals, especially the so called *juju* to exert pressure. As a result, the willingness of the victims to testify against their traffickers in court is particularly low. In the countries of destination, the distribution of the victims is usually organised by women ("madams"). The latter often bring them into different European countries on a rotating principle. Nigerian THB groups are highly organised, their division of labour and specialisation are very pronounced, and groups of perpetrators react with high flexibility to law enforcement countermeasures. Once discovered by police, smuggling routes or transfer hubs can be changed on short notice. The Europe-wide networks, which can be based either on family or on business ties within the ethnic communities in the destination countries, enable a quick flow of information.

On average, less than two suspects were identified per investigation. However, according to police findings there are underlying complex structures of criminal organisations, e.g. networks connected via common cultural background or kinship, which are most flexible and adaptable. This manifests in their transnational activity, distributing their victims among various countries and regularly replacing them. They evade control and quickly move towards new more profitable opportunities, such as permanently changing the location of exploitation in order to maximize their profit with a parallel reduction of the risk to be caught. In 2016, assets worth €2.5 million were temporarily seized, a sum significantly higher than the €512,000 of 2015.

A history of relations between the trafficker and the victim facilitates the state of dependence of the latter. Many of the investigated suspects knew beforehand the victims they then sexually exploited (217 suspects, 41%); 22 of the suspects even had kinship relations (4%), only 34% of the suspects had no former relation to their victims.

Often trafficker and victim share ethnic, cultural or national background, thus facilitating the establishment of the dependency of the victim. The same is true for the common language, especially when victims only speak the language of their traffickers and not the language of their destination country. This makes it easy for traffickers to keep the victims dependent and instil in them fear from the local authorities.

The primary cause of what at a later stage might become forced prostitution is the existence of an illegitimate opportunity structure and a socialisation method teaching women that sexuality can be exchanged for money. Often, it is at a later stage that coercion replaces the initial motivation of an easy high income (Stallberg, 1999: 603f.). Drug consumption (alcohol and other) is quite common as a coping strategy of the sex workers when they feel disgust towards their clients (Girtler, 2004: 61ff.; 70ff.; 91ff.). Together with a typical and ostentatious handling of luxury status symbols it discourages women from leaving the exploitative business and makes the differentiation between forced and voluntary prostitution difficult (Boatca, 2003).

### The victims

From the 48 identified victims 34 were male and 13 female, in one case the sex was unknown. NGOs in this field state that women are increasingly exploited as domestic helpers, carers or seamstresses in workshops. More than half of the victims were from Ukraine (25 persons, 52%), followed by Polish citizens (8 persons, 17%). While in 2015 34 Bulgarian victims were identified, in 2016 there were only 3 (6%). Labour exploitation takes place mainly in the construction sector, where most victims were identified (12 persons), although in the previous year it was the agricultural sector that was prevalent.

The majority of the victims (54%) were under 21 years old. In 68 lawsuits closed by the police 77 victims were under 18 years of age, which means that about every fifth victim of human trafficking for sexual exploitation was a minor. Of the under-18 victims, 39% confirm that they had been involved in prostitution. This might lead to the conclusion that it is especially minors who are attracted into human trafficking by the lover-boy method (Bundeskriminalamt, 2016: 10). The underage victims are usually to be encountered in bars and brothels. This mirrors the picture we have from adult victims, of whom 39% also were active in prostitution in bars and brothels. Thirty-four percent were prostituting themselves in flats, 19% offer hotel and home visits and 14% were working in the street (Bundeskriminalamt, 2016). In 2016, 488 victims were investigated that had been trafficked for sexual exploitation. Compared to the previous year's number (416) this was an increase of about 17%, while in a five-year perspective it was under the average (523). As in the preceding year, around 95% of the victims were women (466).

German victims had the biggest share – 127 (26%; 2015: 97, 23%). Usually, they know their rights, trust executive authorities and are often socially better integrated. They are less reluctant to turn to the police and to report the exploitative nature of their occupation. Still, despite their higher consciousness of victimhood, emotional dependency based on a supposed love relationship often enough inhibits them to free themselves from this kind of exploitative relationship.

The second most common nationality of victims was Bulgarian (92, 19%; 2015: 71, 17%), followed by Romanian victims (76 victims, 16%; 2015: 98 victims, 24%). The share of victims from America and Asia remained at about the same level as in 2015. Most non-European victims come from Africa. Their numbers rose from 20 in 2015 to 36 in 2016. The number of victims from Nigeria more than doubled in 2016 (25) compared to 2015 (10).

Another 145 cases were investigated where **commercial exploitation of minors** was the primary crime.<sup>4</sup> In these cases, an overall of 214 vic-

<sup>4</sup> § 176 (5) StGB – Sexual abuse of children; § 176a (3) StGB – heavy sexual abuse of children; § 180 (1) and (2) StGB – facilitation of sexual action of minors; § 182 (2) StGB – sexual abuse of adolescents; § 235 (4) Nr. 2 StGB – abduction of minors; § 236 (1-5) StGB – trade of children.

tims who were minors were identified, of whom 180 were between 14 and 17 years old, and over two thirds were female (145 victims, 68%). German victims represented the majority with round 72% (155 persons); far fewer numbers were from other nationalities, e.g. Hungarian (7 victims), Bosnia and Herzegovina or Romania (6 victims each).

Altogether 186 suspects engaged in the sexual exploitation of minors were identified. Most of them (111 persons, 60%) were of German citizenship with an average age of 35 years.<sup>5</sup> More than a third of the suspects (65) were younger than 30 years, 14 of them even being minors themselves. Almost half (83 persons, 45%) of the suspects had no former relation to the victim; a third knew the victims (62 persons), and another 11 suspects were related to the victims. In many cases the initial contact took place via the internet or via social media (67 victims each). In 10 cases the lover-boy method came into play, all involving girls between 14 and 17 years.<sup>6</sup>

In the cases of THB for sexual exploitation half of the victims declared that they had agreed to prostitute (48 of the 96 minor victims). Related to the overall case number most of the victims were sexually abused and exploited (102 of 214). Seventy-four victims were found prostituting themselves in hotels or flats, while 17 victims were abused for child pornography. Most of the cases in preliminary investigations (around 60%) were conducted in North Rhine-Westphalia, Berlin and Lower Saxony. THB for sexual exploitation almost exclusively is related to prostitution. The varying number of cases is due to different factors such as the dimension of the red light districts, the priorities of law enforcement agencies and the existence of special administrative offices for the respective milieu.

Besides THB and exploitation there are also other offences usually treated as accessory crimes. In 2016, in about every second case additional offences were investigated (188 cases, 52%; 2015: 60%). The total number of accessory offences declined with 270 compared to 2015 (307), in most of the cases it was a matter of bodily harm and offences against sexual self-determination. A main facilitator for investigations has been the initiation of contact between police and victims. Case investigations are usually initiated by police following evidence or after a complaint (153: 42%). In 66 cases (18%) police initiated investigations. In the remaining 144 proceedings the victims alone or accompanied by counsellors or other third persons (e.g. other sex workers or clients) contacted the police.

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<sup>5</sup> In 28 of the 186 cases the age of the suspect remained unknown.

<sup>6</sup> In 30 cases no information on the relation between suspects and victims could be identified.



## 2. MARKET STRUCTURE AND SOCIAL ORGANISATION OF TRAFFICKING NETWORKS

“In Bremen around 90% of the suspects are from a non-German background. Forced prostitution is seen as a consequent phenomenon to social inequality between countries, for example between countries such as Bulgaria or Romania and Germany” (GE-E1). “The most common ethnic background of the victims in Bremen was Bulgarian and Hungarian, while in other federal states problems often revolve around THB from Nigeria” (GE-E5).

The initial situation of the victims usually is migration and lack of prospects, and the individual decision to migrate is most usually not taken in a spontaneous manner. The contrast between the financial circumstances and the general living conditions in the countries of origin related to high unemployment, low wages, lack of social security and political uprooting, and the relatively high level of prosperity in other EU countries, significantly raises the willingness and preparedness to migrate (Koelges, 2003).

In THB cases three phases can be distinguished. In the **first phase** women from economically less developed countries with relatively low educational level willing to migrate are being recruited (GE-E2). These potential victims are promised a lucrative job abroad. Depending on the background of the women the promised job can be prostitution (when the women have a social background in this milieu), but it can also be a promised position in geriatric care, gastronomy, or being a nursemaid for well-off German families. Another typical recruitment tactic is the above mentioned lover-boy method, allowing emotional control of the victims (GE-E2).

**The second phase** begins when the potential victim accepts the offer. Then middlemen or facilitators provide the necessary documents and organise the transfer. During the trip usually the identity papers of the women are taken away under false pretence. Most of the women tell that they expected to have them back after arrival, but normally this is not the case. However, “once the women work in forced prostitution it creates less suspicion when they can show their papers in police controls” (GE-E2).

Most women recognise their dependent situation already during the trip to the target country. If they try to defend themselves they would usually experience violence for the first time. Once arrived in the target country, the women are usually brought directly into brothels or the model flats where they are being introduced by the traffickers or other forced prostitutes into their future work conditions (GE-E2).

An illustrative case is being recounted by an employee of a victim support organisation. The victim from Bulgaria was approached at a supermarket parking lot and did not hesitate to join the foreigners who promised her a lucrative job in Germany. She had not realised the risk

she was taking until they reached the border. When she tried to leave, she was forcefully prevented from doing so (GE-E8). Apparently her desperation and lack of prospects as well as her hope to improve her living conditions were immensely high.

Most of the time, THB takes place in small businesses, in rented flats where one or two women work around the clock and promote their sex services online. One man might control several flats while the owner of the flats is being paid cash a sum that is much higher than the typical rate and of course only pays taxes on the officially declared amount. The trafficker normally collects the earnings on a daily basis, often enough controlling the number of clients either by being present or by installing cameras. In some cases, couriers are used, who might also transfer the money to the trafficker's home country. But usually it is the trafficker himself who sends money back home via financial service providers such as Western Union. In order to maintain their profitability, women are often moved either between flats or between cities. "In one case we had a flat owner who rented out several flats in the same city where women could move, as a new woman always earns more money; once clients get to know her, her and the pimp's income decreases" (GE-E6).

As prostitution is not forbidden, the delict is the exploitation of the sex worker. "Exploitation can mean that a sex worker might earn €500 per day, but she has to give €450 to the trafficker" (GE-E4). A prosecutor noted that it would be a far less criminalised business, if the traffickers would be less greedy and allow the sex workers to keep more of their earnings (GE-E6). The way earnings are kept very low for the women is exemplified by the case of a woman who had to come from her current working place in Frankfurt to Bremen for an investigation. She worked in a club (with hygienic and security infrastructure) paying a daily room rent of €150 per day and getting €20 per client. That means in order to earn €10, she had to service eight clients. Of course, this cannot directly be labelled forced prostitution, but it has a lot to do with exploitation (GE-E1).

"In the case of victims with Bulgarian background in Bremen we did not see organised crime involvement. Car trading usually is the first excuse of traffickers of women. And often they also trade cars between the countries, as this is not necessarily illegal" (GE-E5).

Traffickers are quite mobile, as their business model is based on a regularly changing supply of women (GE-E4). Often enough the perpetrators are single actors or pairs, pimps who know each other and sometimes exchange women. Typical for forced prostitution is a rotation of the victims that is orientated at the client's preferences (GE-E8). For that traffickers have put up a network that can be used for the exchange of women. These either remain owned by their pimp or they are sold for a lump sum (GE-E2). Still, traffickers do not seem to cooperate intensively (GE-E5). Contrary to other actors – such as for example illegal motorbike gangs (e.g. Hell's Angels) who often run brothels on their wives' names – the Bulgarian traffickers did not use legal businesses as bogus firms (GE-E5).

The control methods are physical as well as psychological: "The victims are usually not allowed to leave the flats unaccompanied. They are told that they have to be protected from foreign pimps or that they risk being arrested by the police. Of course, the real reason behind that precaution is to prevent any contact that could enable the victims to leave" (GE-E1).

Deception is the most widespread means of recruitment. More than a quarter of the investigated victims (28%) state that they had by and large agreed to prostitute, but they were being deceived about the actual circumstances concerning the sort and extent of prostitution as well the earnings. Twenty-two percent were deceived into prostituting themselves, usually by the traffickers pretending a love relationship that pushes the victims into emotional dependency from where they were guided into prostitution and exploitation. This lover-boy method has been used with German, Romanian, and Ukrainian victims. Most of them were between 19 and 26 years old. When recruiting by this method, young and attractive men contact girls or young women with low self-esteem or weak social bonds in order to introduce them into prostitution. Then, they fake financial distress, in order to have the women prostitute themselves voluntarily because of the created emotional dependency. Later, this preliminary voluntariness becomes enforcement.

Around 10% of the victims became professional via model or artist management agencies used as a front, or via advertisements in newspapers. Another 10% of the victims were forced into prostitution via physical, and 8% via psychological violence. The family context played a major role for 9% of the investigated victims. Especially for victims from Romania and Bulgaria it often was a family member who led the women into prostitution.

Most victims were found in private contexts and in hotels. Although most of the forced sex work in Germany still takes place in bars and brothels (41% of the victims). Between a quarter and a third of the victims (29%) prostitute themselves in flats or hotels, while street prostitution was less popular (12%). There has been a shift from the typical prostitution in brothels towards the less controllable prostitution in private settings and hotels. This also requires an increased use of the internet for enabling contact between clients and sex workers.

In Bremen, most victims of forced prostitution work in private flats where health care is not available and violence, including regular and sometimes collective rape, is a common means of control. Often the traffickers share housing with their victims (GE-E4). Many victims tacitly accept their destiny out of fear and desperation, as open resistance only creates more violence, including threats of violence against family members (Hofmann, 2002; Koelges, 2003; GE-E1).

In their helpless situation victims are easily blackmailed, for example by exploiting their visa status or their supposed debt for transport, rent, etc. (Koelges, 2003). Beyond those punishments victims are also often threatened with police, as in the countries they come from sometimes

they have had very negative experiences, including forced sex with police officers (GE-E2).

**The third phase** describes the (attempt of) manipulation of the victims during a THB investigation or trial. Usually traffickers exert strong influence over the victims, since they have large networks at their disposal and also threaten their families in their countries of origin, and so prevent the revealing of detailed evidence. From a police perspective this poses great challenges, as often even in cases where police cooperation takes place security cannot be guaranteed (GE-E2).

Threats and systematic intimidation can have multiple forms. For women from Africa often voodoo spells are used, putting the victims under such enormous pressure that they often withdraw their evidence, while being they are too ashamed and afraid to tell the authorities about the real reasons (GE-E8).

This kind of Transnational ties were uncovered when police noticed that some German cities were closely connected with Bulgarian cities, such as Bremen with Pleven for example. Prior to the Bulgarian connections, the networks active in Bremen originated mainly in Ukraine or Belarus (GE-E4). Often the initial method of bringing women was through familial relations; later, these women then bring in their friends.

A police investigator reported that after having conducted many interrogations he understood that victims often live and work in very difficult conditions without perceiving themselves as victims. "From our perspective this is not understandable, but their starting points are often living conditions that are far worse" (GE-E4). Still, sometimes even for them the situation becomes unbearable.

Most women work every day and have to serve a number of clients. They also work without condoms or engage in any sexual practices when clients wish so (Koelges, 2003). They often do not get any health care or social welfare. Even minor diseases (such as bladder infections or mycosis), if not taken care of can become chronic; unwanted pregnancies occur and, of course, sex workers are more often infected with contagious sexual diseases than the average population. Public health authorities being aware of these problems also try to establish trust relations with the women by no-questions-asked distribution of medicine (GE-E8).

In Bremen, the type of red-light milieu facilitates private prostitution in model flats. Around 34% of the victims of THB prostitute themselves in private flats (Bundeskriminalamt, 2016). Here, they often work unnoticed by the public and are not allowed to leave the locations unaccompanied. As they often do not speak the language of the country they live in they usually lack personal contacts, an important factor intensifying helplessness and dependency.<sup>7</sup> There are around 85 houses and 250 flats in

<sup>7</sup> The prevalent type of prostitution determines the accessibility of potential victims to the police. Street prostitution and brothels are known locations and therefore more easily controlled, but private flats, where rotation of different women takes place, are more anonymous and not always easy to be found (GE-E2).

Bremen where women prostitute themselves. The flats are situated in different suburbs, but according to the website *hostessen-meile.com*,<sup>8</sup> most of them are to be found in Bremen Neustadt, around the Osterdeich and in Hastedt. Most flats are in anonymous complexes, where no neighbourhood communities exist, and where people do not pay attention to prostitution. “These flats are being rented on a daily or weekly basis, which raises the debt of the victims towards their traffickers” (GE-E2).

Although not all such places are related to THB for sexual exploitation, this is the most common manifestation of it. Most of the women as well as their pimps working here come from Bulgaria or Romania or have their roots in other east European countries. Most victims are quite young, but usually minors are not advertised, as that would create problems and they are rather promoted privately. In terms of the number of investigations, “Bremen is currently in the middle position after having been leading the statistics for some years” (GE-E2).

The non-public sex market is the critical point in Bremen compared to other, bigger cities. The most prominent locations are Helenenstrasse and Cuxhavener Strasse. On Helenenstrasse (known as a brothel street since 1878) there are 27 houses where women prostitute themselves. These houses are owned by different persons, and the women earn at least €30 per half an hour, with an average of €50 (GE-E2). On Cuxhavener Strasse, where women also prostitute themselves on the street, the average fee is €20 (GE-E2).

Victims and traffickers often are Roma, coming from poor backgrounds, with no education. Neither criminality nor prostitution seem to be morally or socially sanctioned. Victims are being promised lots of money, but at the end they earn very little and are happy if they can send €50 home (GE-E5). Often the whole network of persons are related to each other, or know each other from their villages. Typically, the women knew what they were heading for, although they first tell the police other stories because they feel embarrassed. Once they build trust relationships with the NGO workers they confess that they knew that they were expected to prostitute themselves (GE-E5).

Different intensities of violence have been observed. Some traffickers are very brutal – their victims have to work 18 hours per day and they are beaten and mistreated when they fall asleep. When recruitment takes place via the lover-boy method, the women believe that they are in an emotional relationship with their trafficker and earn money for them both. This is quite a common method also used by motorbike gangs to recruit rather weak and easily manipulated personalities (GE-E5). Cases with women of this kind as witnesses are very difficult to be investigated, as “one day they testify one thing and the next day another” (GE-E5).

Investigations, however, depend on their testimonies, as there is almost no other objective documentary evidence. Usually, investigators search

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<sup>8</sup> The website publishes photos, services offered, addresses of the flats and related telephone numbers (GE-E2).

for a 24-hour service offered online which is an indication that the service is probably not voluntarily offered by the woman (GE-E5). These women are very difficult witnesses, since they are often traumatised and ashamed; often they do not tell everything in the first police interrogation because they are embarrassed to have been taken in by the trafficker. They do not know if they can trust the police, as often they may have had bad experiences in their home countries, where Roma often face discrimination. "Then it is difficult for the prosecutor, because in the fourth or fifth interrogation they confess how they have been mistreated or raped or so" (GE-E5).

The victims are very scared of the traffickers, because they often come from the same village and they know the families of the victims. There have been cases where threats against families took place or where money was paid to have the victims take back their testimonies (GE-E5).

When working with Bulgarian authorities, for example, it was very common that witnesses withdrew their testimonies. "The family against which we investigated at that time in [the Bulgarian city of] Pleven was kind of untouchable and they might have also corrupted local authorities, considering that the families of the victim never got any response to their complaints about their missing daughter" (GE-E5). Therefore, the investments for the protection of victims are quite high, since without their evidence there would be no sentences at all; and without sentences, there would be no profit forfeiture either (GE-E4). In one case, a whole family – including the women – was involved in trafficking women for sexual exploitation. While in other types of crime women are about 10% of the perpetrators, in the case of THB they are nearly 50%.

"Sometimes it resembles the Stockholm syndrome, when the victims feel empathy for the traffickers. In one case the prosecutor recounts that three of the victims were in love with their trafficker, although he had exploited, beaten and violated them. If he gave them €50 or took them out they felt loved by him. While some of the victims understand quickly and flee at a very early stage, those who do not get out quickly stay for longer – in one case for about eight years, in other cases three to four years" (GE-E4).

### 3. FINANCING AND FINANCIAL MANAGEMENT

The cases investigated in Bremen suggest that there is no need of initial capital for kick-starting a THB operation. The first investment is in the transport of women, whether forced or persuaded into this business. This costs between €80 and €150 per person in minivans and is not a great investment (GE-E5, GE-E4). Usually this is paid by the traffickers, but in some cases women pay themselves (GE-E4). Locations then need to be found for practicing prostitution, but this is not a great investment either (GE-E4). As these women earn money from the very first day of



their arrival, the advanced amount is soon recovered and they can also pay for their rooms.

Bigger amounts are needed if one would like to open a brothel or a bar, where a thousand euro would have to be invested to raise the visibility of the business and make the building recognisable from the outside and also install the necessary hygienic and security standards, but for the model flats in the city there is no extra investment necessary.

The flats are provided by local owners who get far higher rents for their properties than they would get in the normal market. If, for example, a flat with three rooms in a given urban area could normally be rented for €400 per month, the rent for a flat being used for prostitution would be ten times higher, while taxes would only be paid on the officially declared sum of €400 (GE-E5).

The owner of the building, who usually is not the trafficker himself, gets around €50 per day per woman. Normally he is paid by the pimp who collects the money on a daily basis, while the taxes he pays are calculated on the low price as fixed in a written contract. The owner of the building usually confirms that from his perspective there is no forced prostitution visible, and he always has had the impression of happy, voluntarily working prostitutes (if, of course he acknowledges that he knew how they used the flat).<sup>9</sup> In the assumed three rooms there would be three women working, earning around €500 each per day, so “there is quasi financial risk at all for entering the THB business” (GE-E4). Even if a trafficker is caught, as long as he is able to recruit new victims, he will face no great challenges to getting back into business. He might even have access to capital that had not been confiscated by the law enforcement authorities (GE-E4).

Depending on the number of clients a sex worker could make around €2,000 per day, of which the trafficker takes the major part. Another part is used to pay for the rooms, often enough to German house owners (GE-E4).

The victims are told that they owe the traffickers a lot of money and that their keeping also costs quite a lot. Sometimes they are being threatened that they might be resold to more brutal traffickers. Usually victims are not even allowed to leave the flats unaccompanied, not even to go to the supermarket to buy food. They are told that they have a debt to pay off, but its amount never decreases, be it because of running costs, be it because they are told that huge investments were made to buy them from other traffickers or other implausible stories (GE-E5).

Sex workers give the money to the trafficker either directly after each client, or in other cases they put it in a box and the pimp collects

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<sup>9</sup> A THB case with Bulgarian networks involved one flat owner who declared that the women always laughed when he met them in his different flats. Although at the trial he was forbidden to rent his flats to prostitutes, he might be back in the business, as the buildings usually are in a rather poor condition and would never fetch good prices at the regular house-renting market.

the boxes when he makes his round each day. It depends on the trust level or on the means of control (e.g. cameras) that exist between the trafficker and the victim. If money is being withheld by the victim usually violence comes into play. Sometimes certain victims are entrusted to enforce control over other victims, and then they might collect the money. If the trafficker is travelling they also might send it via Western Union, as normally neither of them have bank accounts in Germany. Western Union allows direct transfer between two persons, but the transaction costs are quite high. Nevertheless, transactions of amounts such as €50 with fees of €8 are observed. The daily collection of money ensures that the women do not keep anything for themselves, and even if they run away, they cannot take a lot of money with them.

Sometimes, if the trafficker is controlling several women, he might use a “helping hand” giving them €50 or so for collecting the money, but these are usually costs that are avoided. In cases where there is only one woman, the pimp could be in the next room counting the clients, thus knowing exactly how much money the woman earns (GE-E4).

The 2017 Protection of Prostitution Act might make THB for sexual exploitation less attractive for the traffickers as it will decrease their profits (GE-E5). At the same time, the profits of the traffickers feed into a ostentatious lifestyle, with expensive cars, houses and gold jewellery usually in their countries of origin.

### **The role and impact of the internet on human trafficking activities and finances**

The role of the internet rises and it is becoming an increasingly relevant instrument in the recruitment process as well as a promotional platform for prostitution. Especially when the victims are minors, this has been a common way for initiating a first contact with the trafficker. The increasing relocation of prostitution into private flats and hotels is going hand in hand with an extensive online communication and has already led to significant structural changes in the red-light milieu. This poses new challenges to law enforcement authorities.

The internet played a relevant role in the recruitment of 53 victims (11%). The lover-boy method acquires a special relevance also in social networks and dating platforms. Traffickers search and contact young women in social networks or dating platforms and then strive to establish a relationship based on emotional dependency in order to push them into prostitution. Perpetrators also recruit on job platforms in Germany deceiving the victims about the conditions and the actual nature of the job.

Furthermore, the internet provides sex workers and their clients with the opportunity of contact outside of the milieu, while the pimps and traffickers enjoy a much broader flexibility in the acquisition of clients. The initiation of contact through street prostitution or in a brothel is no longer necessary, since an online offer and the provision of an

alternative location for the sexual intercourse (flat, hotel room) suffice. When solicitation takes place online, also the presentation of identity papers can be avoided. This increases the risk that sexually exploited sex workers and underage victims are no longer discovered by the police.

Given the high number of online advertisements of sex workers and the fact that this is the only visible presence of these persons, the differentiation between voluntary sex workers and forced prostitution becomes extremely difficult. The identification of victims also becomes more difficult, and it is to be expected that perpetrators in the future will make more use of the internet to contact and recruit potential victims. This development changes the overall framework of the red-light milieu and poses new challenges for police and law enforcement agencies (Bundeskriminalamt, 2017).

A case in point is the organisation of human traffickers who recruited women in Serbia and Bosnia and Herzegovina. The women were promised decent jobs in Germany, but were instead sexually exploited in different hotels. These victims were advertised online and because of their lack of language skills the advertisement were designed and organised by the traffickers. This also applied to the first contacts between prostitutes and clients, which were enabled and handled by the trafficker. This modus operandi seems to be spreading in Europe at the moment. It includes the offering by human traffickers of victims for sexual exploitation using alternative locations, thus thwarting the efforts of police forces (Bundeskriminalamt, 2017).

In general, it is advertising rather than recruitment that the internet is used for, as in most cases victims and traffickers knew each other in their home countries already (GE-E5). And while the flats as unofficial brothels are not always visible in the streets and even the door bells only sometimes say "Massage" or something similar, the internet provides a different kind of visibility. It also reduces the investment costs, as traffickers do not need to buy ads in the local newspaper any more, but when it comes to tracking down profits it is of little use and has no impact on the financial investigations (GE-E4). Most clients still prefer to pay cash and keep their anonymity – prostitution remains a cash business (GE-E4).

Beyond the private ads, there are forums where clients describe and discuss the quality and details of the sex services. When the sex worker is being treated as any other goods it can be very derogatory and misogynist. Most websites have a reference to forced prostitution and provide information and the possibility to report if a client suspects something in that direction (GE-E2).

#### 4. FINANCIAL INVESTIGATIONS OF THB CRIMES: CHALLENGES AND GOOD PRACTICES

In April 2016, the BKA initiated a Europe-wide operation against THB from western Africa for a third time. In cooperation with Europol locations of prostitution and entry of potential victims of THB at international airports in 17 European countries were controlled. Four hundred women were identified who had probably been victims of trafficking for sexual exploitation. Meanwhile, police inspected more than 650 brothels or similar establishments in Germany, while at the same time border police intensified controls at airports. The European cooperation becomes more and more relevant for the fight against THB. The Europe-wide control actions assist the identification of victims and organisers as well as the initiation of court proceedings (Bundeskriminalamt, 2017).

Whenever there is evidence of exploitation of women, a special unit begins to search for the profits of that crime and looks at the money flows (GE-E4). In that milieu it is common to have cash flows than transfers via accounts, which means that revenues are to be found in cash. "If, say, 15 flats are rented and €50 per flat per day is collected, then there is already a certain amount to be managed. The investigation team then looks into the financial assets of the suspects and they check their accounts and expenses. Do they pay cash into their accounts? Are they transferring money abroad or to other persons? Do they work, own real estate, cars or other financial assets?" (GE-E4).

When profits are still available, law enforcement can – by using the provisions of paragraph §73c of the new law – calculate the overall amount. Through evidence from witnesses, observations, analysis, etc., law enforcement can calculate the number of women in flats and from there the earnings. This can be up to six-digit euro amounts in case, for example, that an offence for a period of six months for about twenty flats can be proven. This then defines the payment claims towards the perpetrators. If victims claim they had been exploited for that period of time and it is known that there were six other women in this house, the police can calculate the profits of the one who rents them the house (in this case it would be around €100,000). The trafficker's profit lies above that sum, as he takes more than the €50 room rent per day from the women. The total amount is then estimated and the assets defined as payment claims are confiscated. This means that his cars, cash, and jewellery can be confiscated, but also accounts seized, and mortgage can be taken out on real estate. International investigations allow searches to be carried out abroad, and when international cooperation functions well, also legally purchased assets can be seized (GE-E4).

When the direct profits from THB cannot be found, the financial investigation team is allowed to seize all other assets. Many traffickers do not know this (GE-E4). It is also possible to confiscate money when it has been moved illegally to friends, wives, etc. This is regulated in the confiscation provision of §73, stating that third persons who in the meantime have been given the profits can also be prosecuted. The idea

is to identify the profit from THB and then compensate unequal asset distribution resulting from the criminal behaviour. This has been set in criminal law for some time, but only after the 1990s it has been regularly applied by involving financial investigation teams from the very beginning (GE-E5). Now it has been expanded to all assets, even those of legal origin (GE-E4).

Typical assets in THB crimes are those in legal accounts and real estate, often enough abroad. Significantly, the investments of the trafficker are not part of the calculation, i.e. “the confiscated amount is more than the net profit, it covers all the investigated income, as the investments had been deliberately made in illegal activities, and crime shall not pay” (GE-E4). This is called the “gross-net-principle” (Brutto-Netto-Prinzip).<sup>10</sup> After the calculation of the profits, an asset confiscation is being enacted and executed on all assets found among the group of suspects or moved to third persons. The relevant provisions in this field of asset forfeiture in the context of THB trials are paragraphs §73ff. and §111b StPO (GE-E4).

An important part, especially in transnational settings, is to trace money flows when traffickers have used financial services such as Western Union and MoneyGram. In the first years, when Western Union began its business, they did not even ask for ID cards. Now both sides – the payer as well as the receiver abroad – need to identify themselves, which allows to investigate each transaction of specified persons in a defined period of time. “Traffickers who do not officially live here do not open bank accounts, but transfer regularly their cash money to countries like Bulgaria, Belarus or Turkey” (GE-E4).

Still, there are various challenges in international cooperation and many bureaucratic hurdles to overcome in investigating and prosecuting THB. Although the flow of cash can be obscured, often law enforcement knows that the traffickers transfer it to their home country (GE-E6). In some cases, German law enforcement would send the court documents and the sentence and the Bulgarian authorities would proceed with the forfeiture. Cooperation in this field has great potential for improvement (GE-E6).

When, for example, a German prosecutor tries to confiscate assets of traffickers in Bulgaria, during a process where the German financial investigation team had found assets in Bulgaria, a more intensive financial investigation on the ground and less bureaucracy would facilitated a more efficient asset freezing and confiscation (GE-E6). Usually, there is no German financial investigation on assets abroad and it depends on the local structures, if confiscated money will at the end be distributed among the victims. If these two investigations take place separately, the trials become even more complicated and less victims might testify against their traffickers. Currently, cooperation is established with Hong Kong and Thailand.

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<sup>10</sup> Following the “gross-principle” of confiscation, the investments of the trafficker are not subtracted from the confiscated sum. This means that more than just the profit can be confiscated; unfortunately, usually it is only a small fraction of it.

It causes much more difficulties when separate trials are initiated – one for THB and one for money laundering. Germany has specialised prosecutors on this issue, and it is integrated into the other trials. That means that once a witness declares that she has earned €250 per day one can immediately confiscate that money calculated for a year for example, in order to make it available to the victim. That also means that immediately after the amount has been calculated all assets from real estate, cars or cash can be frozen until at the end of the trial a decision upon its final and definitive confiscation is made.

In Bulgaria, as in other countries as well, asset forfeiture is not integrated into the THB trial, but is a matter of a new trial, with another responsible authority. A lot of synergy effects are being lost when these two issues are handled separately. If this part is tried after the main trial, usually there is no money left, as the traffickers had enough time to remove everything valuable.

In Germany, the reform in this field allows to distrain all different kinds of assets, and victims having claims can be remunerated from the confiscated sums. Of course, this is only possible when there is enough money to be distributed among the victims. Usually, this is not the case and the distribution of the perpetrators' assets has to be divided along quotas.

The most successful use of this instrument is very early involvement in the main investigation, in order to understand the underlying structures of the respective case (GE-E4). The earlier the financial investigation is involved into the process, the more detailed will be the knowledge about the possessions of the suspects that often are not to be found in Germany. Therefore, the police consider it as luck when the suspects are arrested just after collecting the daily earnings.

Unfortunately, cash can be hidden quite easily and it can only be found if police gets some hints (GE-E4). It can also be handed over to a friend abroad, and once money is transferred directly and not via any accounts, its track is lost (GE-E4). For other assets it is different: in Germany, unlike in Bulgaria, for example, it is impossible to buy a house with cash, money has to be transferred via bank accounts.

The most problematic situation is when cash is transferred abroad, hidden in one way or another. Before traffickers began to use Western Union or MoneyGram the most common way was to take the cash back to their home countries in the same minivan that had been used for the transport of women, hidden or distributed in little packets among some passengers (GE-E4).

Still, in many cases there is no money left to confiscate because of the lavish lifestyle of the traffickers. Gambling, drugs, renting expensive cars, sometimes boats or whole restaurants are common in this milieu (GE-E4). Western Union and MoneyGram represent the most common financial services where money transfer can reliably be traced (GE-E4). Once there is a suspect to whom the money flows can be attributed, the transferred



sums need to be plausibly related to the broader criminal pattern that emerge from the profit estimation (GE-E4). For this estimation, usually the locality where prostitution takes place is under surveillance, technically or by police personnel, in order to have an idea about the number of clients and the daily profits (GE-E4). This can be done once the major investigation has been initiated. This estimation is the fundament for the final confiscation sum as determined by the judge.

Applying these techniques only makes sense when there is high probability of a successful investigation. THB is difficult to prove, especially as it relies on the major witness – the victim – whose testimony is often too contradictory or is retracted at a later stage. In the case of Bulgaria, for example, there haven't been follow-up cases, after the first cooperation in that format.

The suspects' accounts can also be seized in foreign countries – theoretically worldwide, but in practice it depends on the cooperation with the respective country and official letters (GE-E5). When good relations already exist, actions can be quickly taken, for example by freezing accounts, while the formal decision is handed in later. With the decision there are several ratified agreements between EU countries based on reciprocity, but it always depends on the country. The cooperation with Turkey, for example, has become quite difficult during the last years.

The amount of confiscated assets increased significantly in the last years. In all of Germany in 2016, in 16 investigative cases around €2.5 million were confiscated provisionally. This sum was significantly higher than for the year before (2015: €512,000) (Bundeskriminalamt, 2017).

International cooperation means that a German prosecutor gets in touch with the foreign prosecutor in order to get some information, and this often takes place too slowly. This is often a difficult procedure at the police level, as different EU countries follow different legal regulations how to handle these kinds of requests. In very urgent cases, one can directly get in touch with other police entities and then hand in the official request up to two weeks later. First, all the documents need to be translated, then the German legislative text needs to be included, adding up to quite a lot of time and effort to invest.

Rogatory letters function the same way. With some countries the exchange is well established and information about bank accounts and their owners are easy and quick to obtain. The account owner can be investigated via an automatic system, but the bank balance is only to be inquired via a request for information sent directly to the bank.

Of course this is more difficult to be obtained abroad, the bank has first to be contacted and will need some time to respond. This procedure usually takes more than 48 hours (GE-E5). This often might be too slow, as the money can easily be transferred quickly further into other accounts. The advantage of online banking is that it makes it very easy to quickly transfer from one account to another (GE-E4).

Of course there is a protocol, but it doesn't help to know that the money went from Germany to Italy and then further to Belarus; in these cases investigators are always too late to seize the assets (GE-E4). In the context of THB this has not been a very relevant issue yet. The traffickers often transfer directly to their own accounts, be it in Bulgaria or Thailand.

## 5. CONCLUSION AND RECOMMENDATIONS

The fight against human trafficking will be of special relevance during the next EU policy cycle (2018 – 2021) for the fight against criminality. Europe-wide networks of traffickers, pimps and money launderers are operating at a highly organised level. As to some extent they can be attributed to organised crime, a cooperation of different authorities in the countries of origin as well as in transit and target countries is of vital importance for an efficient prosecution.

Core elements are international cooperation and an early inclusion of the financial investigations into the broader investigation, also transnationally. The legal framework is sufficient, it only has to be implemented, the same counts for technological means. The fact that money is transferred in cash in THB cases and its tracks are often blurred makes it difficult to identify who is profiting beyond the given names. If there are data available it can be tracked, but in order to follow cash transfers one would have to launch an inspection and of course not every cash transfer is being observable, as we would need an army of investigators. The success in uncovering THB structures usually is a variable directly dependent on the police efforts in this field.

The 2017 Protection of Prostitution Act includes extensive regulations, and the core element is the obligation to obtain a permission to practice the profession of a sex worker. Prostitution is becoming linked to some minimum requirements related to the reliability of the business operator. That way prostitution remains a legal activity, but sex workers need to register in order to be allowed to pursue their business. The existing gaps in the regulations made it difficult to fight against that kind of criminality, but now many experts hope that the regulation of prostitution will contribute to a reduction of opportunities for exploitation in the red-light milieu.

In order to be able to conduct more successful investigations, it is also very important to strengthen the NGOs working with victims. Victims need to be given the security that someone cares for their safety and helps them to get into a stable psychological condition. This is important for the investigation as it contributes to valuable testimonies. Without these no trials would be possible (GE-E5).

THB is a crime that needs to remain in the focus of police investigations. Police has to be present and the women have to know whom to

approach in case of forced prostitution. The initiative of establishing contact should be taken by the local authorities. Often, the same victims who initially claim that they are working as free prostitutes, in later interrogations tell about the exploitative structures behind the scenes.

## LIST OF ABBREVIATIONS

<b>Mol</b>	Ministry of Interior
<b>BKA</b>	Bundeskriminalamt
<b>BBmeZ</b>	Beratungsstelle für Betroffene von Menschenhandel und Zwangsprostitution
<b>ProstSchG</b>	Prostituiertenschutzgesetz
<b>KriPo</b>	Kriminalpolizei
<b>OK</b>	Organisierte Kriminalität
<b>StA</b>	Staatsanwaltschaft
<b>StGB</b>	Strafgesetzbuch
<b>StPO</b>	Strafprozessordnung

## LIST OF INTERVIEWEES

Respondent code	Position/Department	Institution/Role
GE-E1	Police Officer, Countering THB department	Investigator
GE-E2	Police Officer, Countering THB department	Investigator
GE-E3	Police Officer, Countering THB department	Financial Investigator
GE-E4	Police Officer, Countering THB department	Financial Investigator
GE-E5	Regional Court	Prosecutor
GE-E6	Regional Court	Prosecutor
GE-E7	NGO	BBMeZ – counselling for victims of trafficking in human beings and forced prostitution
GE-E8	NGO	BBMeZ Mitarbeiterin
GE-E9	Political party	Expert

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# FINANCING OF TRAFFICKING IN HUMAN BEINGS IN ITALY

Italy represents a southern criminal hub in Europe as a destination and transit country for migrants arriving from north and west Africa, eastern Europe, the Balkans and China (Shelley, 2014), with most of individuals arriving from Libya. After the bilateral agreement between Libya and Italy in 2009 as to jointly prevent irregular migration, the collapse of the Qaddafi regime in 2011 and the related security vacuum, migration flows through the central Mediterranean route have increased (IT-E5; IT-E7; IT-E15). Recent data from the International Organisation for Migration (2018), report a total of 119,310 arrivals by sea to Italy in 2017 and a total of 181,436 in 2016. Among these arrivals, some estimations on the number of migrants that are further trafficked in Italy are available, although the covert nature of this criminal market and the lack of a centralised database do not allow for updated and comprehensive estimations as well as its constant monitoring (Eurostat, 2015). Trafficking in human beings for sexual and labour exploitation in Italy is mainly managed by foreign organised crime groups (OCGs). On one side, their *modi operandi* has been largely documented (Cabras, 2015; Ministero dell'Interno, 2015; Save the Children, 2017; Mancuso, 2013; Campana & Varese, 2015; Baldoni, 2011; Carchedi, 2010; Curtol et al., 2004; Sagnet & Palmisano, 2015; Leogrande, 2016; Palmisano, 2017; Scotto 2016; Iovino, 2016); on the other, little is still known on how these groups raise and manage capitals to finance and sustain their trafficking operations. Based on data gathered through in-depth interviews carried out with experts among police forces, prosecutors, non-profit organisations, and investigative journalists in various regions of Italy<sup>1</sup> and data collected from relevant judicial cases and media news, the present study focuses on trafficking in human beings for sexual and labour exploitation at the national level and in particular on:

1. Structure and actors of this criminal market.
2. Financing and financial management – source of capital to initiate and sustain trafficking operations and settlement of payments.
3. Costs of doing business – costs required to run this criminal business.
4. Profits, profit sharing schemes, and reinvestment.

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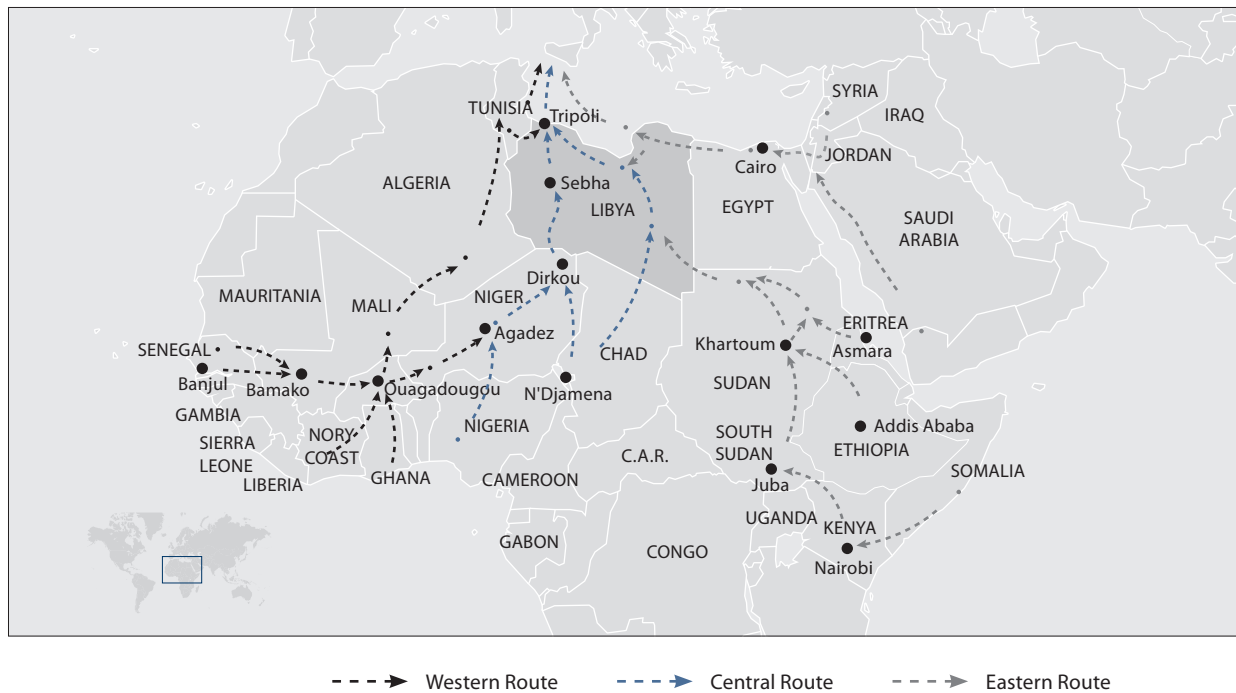
<sup>1</sup> The sources have been coded in order to preserve their anonymity. The first two letters of the code indicate the country, “E” indicates an expert. The description of the background of the individual sources referenced can be found in the list of interviewees in the references section.

## 1. MARKET OVERVIEW

The prevalence of migrants arriving to Italy from Africa is due to the key role of the central Mediterranean route. Data from Frontex (2017) underline that since 2014, the number of detections of illegal migrants crossing the central Mediterranean Sea has exceeded 100,000 instances. There has been an increase related to the persistent pressure of arrivals of migrants to Libya, which is the main departure country to Europe, and whose actual social and political instability has favoured both trafficking and smuggling of human beings (Wittenberg, 2017). Although migration routes change over time as traffickers adapt to law enforcement counteraction and borders patrol, at present three main routes can be identified from Africa to Italy (major transit point) and then other European countries: the western route for which the main source countries are Mali, Gambia and Senegal. This route in most cases connects in the Sahel with the central route for which source countries are Nigeria, Ghana and Niger. The eastern route for which source countries are mainly Somalia, Eritrea, Darfur in Sudan, and which usually cuts north through Sudan and Egypt and then along the coast of Africa (MEDU, 2018; Reitano et al., 2014; see also Figure 1). All these routes converge on the Maghreb, and in most recent years on Libya. "In all the judicial cases, women and girls follow the sea route and cross almost the same stops. Here they are located in facilities, named differently 'connection houses' or 'ghetto houses', that are hell on earth. Warehouses for migrants where they suffer violence and deprivation" (IT-E24). For example, Amnesty International (2015), has reported that since 2013 abductions for ransom of sub-Saharan migrants and refugees along the different trafficking routes in Libya have increased. Migrants are handed over or sold by traffickers to criminal groups upon crossing the border or arrival at major transit points, and then held like prisoners in private houses as well as subjected to torture and other ill-treatment for the purpose of extortion. These criminal groups are transnational and formed of nationals from Sub-Saharan African countries and Libyans. Abuses such as being beaten, subjected to electric shocks, or not given sufficient food and water have been documented in Sabha and surroundings, and in transit points (e.g., Ajdabya, the main hub for migrants arriving from Somalia, Sudan, Eritrea, and Ethiopia).

The majority of Chinese migrants in Italy originate from Zhejiang and Fujian provinces in the south of China, followed by Liaoning and Shandong provinces (northern China). Migrations from the north of China that has started in more recent years have been boosted by the expansion of the southern area as a result of money remittances of migrants abroad (Beretta et al., 2016). Trafficked migrants arrive to Italy through different sea, air and land routes: the east European route, crossing Romania, Hungary, Albania, the Czech Republic and the countries of the former Yugoslavia; the west European route, passing through Austria, France, Germany and Malta before reaching Italy. Other used routes are from Albania, via the Strait of Otranto, to the port of Brindisi, or from northern China, via the Maritime (Primor'ye) Territory of Russia, as to reach the city of Moscow where they get/buy visas to enter Italy (eastwest.eu, 2013; Berry et al., 2003; Curtol et al., 2004). "I have seen different routes

FIGURE 1. MIGRATORY ROUTES FROM SUB-SAHARAN COUNTRIES TO EUROPE



Source: Authors' elaboration on MSNBC (2018).

China-Italy, passing through Turkey and Afghanistan, or other long land routes where illegal migrants were sold to different groups of traffickers" (IT-E2). In more recent times, "Asian and Indian migrants have started to migrate to north Africa overland by passing through the Sahara. They mostly fly from their home countries to African capitals sometimes [crossing] the Gulf Arab states. From there, they travel along common Saharan routes via Niger and Algeria to Tunisia and Libya, where they set sail to Italy" (Reitano et al., 2014: 13). As for east European nationals (i.e., Albanians, Romanians, Ukrainians, Moldavians, Bulgarians, Poles) and given the role of Albanian and Romanian criminal entrepreneurs in trafficking in human beings, victims were used to be transferred from Kosovo and Montenegro to Albania, and from there by sea route to Italy (arriving mainly to the region of Apulia). More recently, the sea route has been replaced by land travels along the Balkan route, entering Italy mainly through the passages that connect Slovenia with the region of Friuli-Venezia Giulia (Russo, 2010; Regione del Veneto, 2004; Ciconte, 2016; Sagnet & Palmisano, 2015).

Among migrants of different nationalities who reach Italy, some estimations are available about persons who are victims of trafficking and further exploitation within the national territory. Nevertheless, the lack of a centralised database at the institutional level on trafficking in human beings together with the absence of systematic data collections (on a yearly basis) still do not allow to gain a comprehensive picture in

terms of extent, potential and identified victims, areas of exploitation, exploited victims referred to social services and repatriated migrants. As a consequence, different sources of information are present, both at the national/regional or local level, such as governmental institutions and non-profit organisations, with the latter collecting data mainly through the first contact activity of street workers (Caritas, 2013; Save the Children, 2016; Amnesty International, 2015; GRETA, 2016). The Department of Equal Opportunities (Dipartimento per le Pari Opportunità, 2018) provides national estimations on the number of victims that benefit from assistance and social integration projects on a yearly basis.<sup>2</sup> In 2016, (latest data available) trafficked and exploited victims under this scheme totalled 1,172, among which 81.4% females, 17.6% males, 1.0% transsexuals. Adult victims are the majority (90.5%) while 9.5% are underage victims. As for the country of origin, Nigeria is the main country (59.4%), followed by Romania (7.0%), Morocco (5.3%), Albania (3.6%), Senegal (2.0%), Ghana (1.8%), Pakistan (1.7%), China (1.5%) and El Salvador (1.2%). Exploitation occurs mostly in forced prostitution (57.5%) and less in forced labour (7.8%) in economic sectors such as agriculture, manufacture, and construction industry. Forced begging concerns much lower percentage of victims (1.3%). Similarly, when taking into account underage exploited victims, 50.4% are forced into the sex market, 9.9% in illegal economies such as drug selling at the retail level, 5.4% are exploited in other labour sectors, 3.6% are forced into begging and 0.9% into forced marriage. Nigerian underage victims are the most represented (67.0%) followed by Romanians (7.0%). The Ministry of Justice (Ministero della Giustizia, 2015) has provided data on criminal proceedings brought against traffickers and resulting in a conviction, retrieved from a representative sample of 15 prosecutors' offices located throughout the Italian territory. From these data it is possible to trace a typical profile of exploited victims: young females (who are prevalent with a percentage of 75.2%) or male, of foreign origin (51.6% Romanian and 19.0% Nigerian), and in some cases married (13.6%) or with children (22.3%). Other nationalities of victims include Albanian (8.6%), Bulgarian (7.7%), Chinese (3.2%), Bosnian (1.8%), Moldavian (1.8%), and Polish (1.8%), while underage victims are 17.5%. Prostitution is the main area for exploitation of women (77.7%), while for men it is forced labour (48.3%), thefts (36.2%) and begging (29.3%). The International Organisation for Migration (2017), also provides data on potential victims of trafficking who are interviewed by operators in the places of first arrival (ports and other hotspots) on the basis of a set of relevant indicators (e.g. age and sex, nationality, psycho-physical condition, level of education, family background, travelling mode, etc.). In 2016, a total of 8,277 *potential* victims were identified; this compares with 6,599 *ascertained* trafficked victims. A small number among the latter have been signalled and referred to the competent police and judicial authorities as well as to protection programmes.

<sup>2</sup> Through annual calls addressed to non-profit organisations, the Department of Equal Opportunities grants funds for interventions of social protection under Art. 18 of Legislative Decree n. 286/1998 on "Consolidated text of provisions regulating migration and the rules relating the status of foreign nationals" and under Art. 13 of Law n. 228/09 on "Measures against trafficking in persons" (GRETA, 2014).

There are recurrent reasons among migrants for leaving, such as the need for international protection or the necessity to escape from instability and violence in the countries of origin, as well as social and economic factors mainly linked to poverty. All these may facilitate the work of recruiters, who in most cases and especially in the last years approach potential victims in poor and rural villages in Africa (e.g., Nigeria), China, and west European countries (e.g., Bulgaria, Romania, Albania, Ukraine, Poland), and of very young age (IOM, 2017; Politi & Fick, 2015; IT-E7; IT-E22). For example, in Nigeria recruitment is carried out in the periphery of Benin City and, mostly in rural villages with the most unfavourable social and economic conditions with families playing a crucial role in pushing female children towards “masked” migration (UNICRI-PARSEC, 2010; Di Nicola et al., 2017; IT-E4; IT-E9; IT-E8; IT-E10). “A family mandate, with recruiters who may be friends or country fellows of both sexes, although women are more suitable for this role since dressed well, and looking wealthier” (IT-E8). The role of the family and/or well-known recruiters is valid also for Chinese and Western Europeans victims. In particular, the latter can be also recruited by partners or presumed partners (i.e. lover boy method). The major trend seems for recruiters to lure potential victims with the promise of legitimate well-paid jobs, such as hairdressers, caretakers, dancers, waitresses (IT-E10), which can also occur on the internet through social networks such as Facebook. The scheme is in general as follows: “the trafficker or the person linked to [OCGs] attract potential victims online. Among these [individuals] a virtual relationship is established based on dreams, false expectations and promises of a better future life; they plan weddings and travels and send presents or money to convince the [contacted person] to leave for Europe or Italy” (Di Nicola et al., 2017: 50). E-recruitment is usually linked to the organisation of travels and specific Facebook pages where complete packages of service are offered (i.e., job offers, travel options, and documents). Some of the interviewed experts have contended that on the internet and in particular on Facebook, it is possible to find pages where only travel services to Europe and Italy are offered: “An evidence that results from the investigation activity is the presence of Facebook profiles related to persons that offer travel arrangements and different options” (IT-E19). Consistently “our police officers that control at ports have reported that some potential victims once arrived in Italy show them the screenshot of a Facebook profile of the person that has organised their travel” (IT-E15). An interviewed expert also pointed out that besides direct recruiting, the pages of Facebook where women and girls post pictures portraying them in nice situations (i.e. well-dressed, holding mobiles, and having fun) serve as an attractive factor for others to leave their country (IT-E24). While communications between recruiters and traffickers is mainly through WhatsApp, as to avoid interceptions, the latter may be used to receive pictures of potential victims that were previously contacted on Facebook, similarly to the use of mobiles or emails by recruiters to send pictures of potential victims to exploiters (IT-E20; IT-E24). As for recruitment aimed at labour exploitation, both online and offline channels are employed, that are pages with online job advertisements and employment agencies (Leogrande, 2016).



Migrants may travel with or without documents. In general, Nigerian victims that arrive by sea do not have passports, and once in Italy exploiters suggest to lodge asylum claims. “The more recent trend, compared to recover victims as soon as possible, is to leave them in shelter centres and wait for the resident permit to be issued. Thus, it is safer when they are on the streets” (IT-E24).<sup>3</sup> Travel by plane is also reported (even if at present less frequent) to European airports using fake documents, and reaching Italy by train (IT-E18; IT-E20).

Similarly, east Europeans (i.e., Albanians and Ukrainians) may be provided by traffickers with fake documents, while Chinese travel on tourist or study visas obtained thanks to intermediaries in China. “An additional service offered, facilitated by a corruptive mechanism: for a payment, it is possible to obtain the documents needed” (IT-E2). Another way, is via licensed tour operators which are granted of blanket visas, and which seem to charge a fee for those that do not return after the expiration date. The trend seems to travel with genuine passports to depart the country, and then switch to forged or fraudulently obtained documentation (UNODC, 2013). In Italy, documents are in most cases confiscated by exploiters, as to isolate the victims and make them more vulnerable (IT-E14; IT-E7; Leogrande, 2016). In other cases, new fake documents are provided, as to be safe from police controls or to request resident permits. “When migrants arrive to Lampedusa, they are subsequently directed to a specific neighbour of the city of Naples where, according to our intelligence, has emerged a high concentration of forgers. It does not seem a coincidence” (IT-E10). The debt bondage, linked to travel and/or documents expenses as well as access to work, represents the main factor allowing traffickers to exploit victims within sexual and labour markets in Italy, while using the threat of violent retaliation against family members if victims are reluctant to cooperate (Regione del Veneto, 2004; Beretta et al., 2016; eastwest.eu, 2013; IT-E2; IT-E10; IT-E14; IT-E21).

## 2 MARKET STRUCTURE AND ACTORS

Foreign OCGs such as Nigerians, Chinese and east Europeans (i.e. Albanians, Romanians, Ukrainians, and Poles) are involved in the sexual and labour exploitative markets in Italy (DIA, 2017; DNA, 2017). Although settled throughout the country, it is possible to identify specific hubs for these two forms of exploitation: the cities of Turin and Milan in the north, and Naples, Castel Volturno, and Palermo in the south for sexual exploitation managed by Nigerian, Albanian and Romanian criminal entrepreneurs, and the province of Foggia with the area of Capitanata as

<sup>3</sup> Most migrants from Africa and travelling by sea are recovered in shelter centres (Centri di primo soccorso e accoglienza), where they receive first aid and are identified by law enforcement. These centres are located in the cities of Agrigento and Lampedusa (Sicily), Cagliari and Elmas (Sardinia), Lecce and Otranto (Apulia), and Ragusa and Pozzallo (Sicily). If the status of asylum seeker is granted, a migrant can obtain a residence permit to stay in Italy. In practice, requests are evaluated by a territorial commission that can either accept or refuse. In many cases, requests are refused and migrants have the right to appeal. In the meantime, and till the final decision of the commission, they can remain in the national territory (IT-15; IT-E24).

a main point for labour exploitation in agriculture (especially for tomato harvesting) (IT-E5; IT-E23; IT-E18; Scotto, 2016).

These criminal entrepreneurs share similar organisational characteristics. They are small in size (from 3-4 to 10-15 members) and based on family, ethnic and tribal bonds, while operating within large fluid networks of groups and individuals made of nodes present in both countries of origin and exploitation. These nodes are also connected to traffickers/smugglers (in the form of joint ventures) in transit countries as to facilitate the movement of victims. Although roles and duties tend to be distributed among members in relation to their skills, place, hierarchy and location, they are in most cases interchangeable within groups (DNA, 2017; Becucci, 2016; Carchedi, 2016; IT-E9; IT-E6; IT-E2; IT-E18). The “main feature of Chinese OCGs is that of *guanxi*, a term referred to a network of relationships among members on the basis of family bonds or commercial interests. These groups, that have mainly settled in northern and central Italy, may create alliances to share duties and criminal markets, or may fight to control their territories” (eastwest.eu, 2013: 102).<sup>4</sup> Albanians, similarly to Romanians, active at the national level, are structured into family-based organised crime groups, with members belonging to the same cities or towns, and connected to the bosses residing in the country of origin, as well as to other small groups (cells). The latter are in charge of recruitment, travel organisation, procuring forged documents, and acts of intimidation against families of victims when reluctant. More often these criminal entrepreneurs collaborate in sexual exploitation, and at present Albanian OCGs manage the street prostitution of Romanian victims (Ciconte, 2016; Regione del Veneto, 2004; Carchedi & Tola, 2005). These criminal entrepreneurs as stated by Palmisano (2017) have overcome the other foreign OCGs rooted in the north of the country in regard to trafficking for sexual exploitation, and in the placement of labour force in public construction sites, as it occurs in the city of Turin. Ukrainians, active in particular in the region of Campania and the city of Naples, are structured into small to medium-sized criminal groups, with strong connections with native OCGs residing in Ukraine. Despite their dimension, these groups have been defined in different criminal proceedings as “[mafia-type] associations, due to the systematic intimidations and retaliations for control purposes, illegal immigration, and forced prostitution” (Ingrascì, 2016).

Nigerian cults (named for example Black Axe, Eiyè, Aye, Buccaneers, Vikings, Ku Klux Klan Fraternity), are small groups independent but integrated within Nigerian OCGs.<sup>5</sup> The latter in Italy can be dated back

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<sup>4</sup> As underlined by Becucci (2016), in respect to trafficking of human beings, Chinese criminal groups have two main types of organisation reflecting the degree of internal trust: 1) family based groups involving traffickers with managerial roles, active in China and connected to members in Italy; 2) joint ventures among members. More often, Chinese criminal entrepreneurs combine both structures and bonds. Thus, a central node which is based on familial ties coexists with recruited individuals for specific tasks.

<sup>5</sup> From Italian judicial cases on trafficking of Nigerian women and girls, cults inspired by Evangelical-Christian and animist beliefs are active both in Nigeria and within Nigerian communities in Italy. These cults act like criminal organisations and recruit members through a strict selective procedure. Their role is to support Nigerian OCGs in protecting businesses, recovering debts, and set disputes violently. In few cases, their involvement in physical mutilations against competitors and ritual homicides has been detected in Italy (Carchedi, 2016a; IT-E9; IT-E15).

to the 1980s. Settled at first in the northern and central regions, more recently they have expanded to southern regions such as Campania, Calabria, and Sicily. While cults have been detected in more recent years in the cities of Turin, Venice-Mestre, Milan (north), Rome (centre), Caserta, Castel Volturno and Palermo (south). “The power that these groups exercise in Italy is similar to that of Italian mafias. They manage drug trafficking, prostitution, and other criminal activities, and behave like our mafiosi in acquiring the control of local territories. In some criminal proceedings this characteristic has been recognised” (IT-E22; IT-E21). The role of the cults, in particular, is to assist the *maman* (madam) in her illegal activities such as sexual exploitation and drug selling, while protecting the businesses from other competitive groups of the same nationality (Ciconte, 2016; Carchedi, 2016a; IT-E5; IT-E6; IT-E21). This female member is the point of connection between the bottom and upper parts of Nigerian OCGs in regard to sexual exploitation (i.e. members/individuals that produce profits and invest revenues in the legal economy) (Carchedi, 2016a; IT-E6; IT-E7; IT-E24). For example, in one judicial case the structure and organisation of a Nigerian organised crime group active in sexual exploitation was described as follows in respect to the roles of the members: “Members active in Nigeria are involved in all the necessary stages to bring potential victims to Europe such as obtaining visas, hosting girls in accommodations while waiting for documents, performing a voodoo rite called *juju* on girls to formalise the obligation to settle their debts, arranging travels. While the members active in Italy cooperate to obtain and assure illegal entries of victims to Italy or Europe, to find *mamans* that manage women and girls and their prostitution activity, to arrange accommodations, to gather the proceeds and to intimidate victims” (IT-E20).

Native organised crime groups (Cosa Nostra, the ‘Ndrangheta, Camorra, and Sacra Corona Unita) are not directly involved in sexual and labour exploitation at the national level because these illegal markets produce low profits, compared to drug trafficking for example, and involve higher risk of detection – e. g. charges of exploited victims (IT-E14; IT-E15). This allows foreign organised crime groups to manage more or less these criminal activities independently (IT-E1; IT-E15; IT-E18; Leogrande, 2016). Nevertheless, where Italians OCGs are present agreements have to be reached, and these may also consist in illegal services or exchange of illegal goods (DIA, 2017). “If ten Polish men decide to be gangmasters in Cerignola [region of Apulia] they are not able to do anything without the support of the local bosses. And if they have set up a human trafficking activity, they cannot avoid to have some relations with local organised crime groups that control the territory” (Leogrande, 2016: 89). In the regions of Campania and Calabria, for example, Albanian OCGs sell drugs at a favourable price in exchange of using portion of local territories for sexual exploitation (IT-E8; Russo, 2010), or as it occurred on the Apulian, Calabrian, and Sicilian coasts where native OCGs have allowed clandestine migrants to disembark, offered support in logistics and control to prevent law enforcement counteraction, and in exchange are supplied by foreign OCGs with drugs, weapons, and contraband tobacco products (Spiezia, 2008). It is more likely that partnerships exist among foreign OCGs, and in particular east Europeans in terms of

trafficking and exploitation: Albanian and Romanian, but also Chinese and Bulgarian criminal entrepreneurs (IT-E10; IT-E14).

## 2.1 Sexual exploitation: the central role of female criminal entrepreneurs

“As for the nationalities in the Italian sex market, there are Romanians, Albanians, followed by Nigerians and Chinese” (IT-E10). Mobile phones may be used during the travel of Nigerian migrants as a means of remote control through GPS, which is why many victims arrive in Italy with a telephone number to call as to gain further information on how to reach their final destination. This method is also used to send bus or train tickets to the victims, or if recharged to sell credits to other migrants and then pay for the journey. In other cases, migrants are picked up at shelter centres by members of OCGs or individuals that are recruited for this purposes (called “ticket men”) (IT-E4; IT-E8; IT-E21). “Compared to the first migration flows where victims arrived with numbers written on papers and hidden in their hair, nowadays it is more likely that they call families in Nigeria that, in turn, inform exploiters of their arrival in Italy. It is a countermeasure of traffickers due to police controls when victims disembark” (IT-E24). When victims start to be exploited, Nigerians work on the street and can be forced into prostitution at the very beginning inside or in the surroundings of open reception centres or temporary reception centres.<sup>6</sup> East European and Chinese victims work mainly in closed places – apartments, massage centres – and use the streets or the internet to approach clients (IT-E2; IT-E14; IT-E19). “Exploiters buy telephone numbers connected in series that women and girls use to be contacted by clients, and that are linked to the offers of prostitution services posted on internet websites or social networks” (IT-E10).

Common elements may be traced in the exploitation scheme applied by foreign OCGs. First, the high level of internal trafficking since victims are moved frequently from one city/town to another, and that victims usually work in another place distant from where they live (IT-E20). “At nights or early in the morning, regional trains from the city of Rimini to the city of Bologna are full of Nigerian women who commute” (IT-E10).

Second, the use of violence to force victims into prostitution, especially reluctant ones. Nigerians benefit from the intimidation of through voodoo rites<sup>7</sup> and resort to violence in extreme situations (IT-E19; IT-E20). Use of violence is also typical for east European OCGs (especially Albanians), as a means of psychological submission and to enforce the loyalty of victims. Nevertheless, since the 2000s, these criminal entrepreneurs have lowered the use of violence as a strategy to curb their business risk (Baldoni, 2011). “They are more contractual in leaving few hundred euros

<sup>6</sup> These places are Centri di accoglienza per richiedenti asilo (CARA) and Centri di accoglienza straordinaria (CAS).

<sup>7</sup> The voodoo rite (also called *juju*) is celebrated by local holy men in the country of origin (e.g., Nigeria) before the departure of the victims as a guarantee of the contracted debt. The coercive power of this rite, resides also in the fact that if women or girls are reluctant or intend to denounce their exploiters, the family persuade them to continue working and repay the debt, fearing serious retaliations against themselves (IT-E18).

to the victims, and allowing more freedom in dressing and eating. During the 1990s earnings for women and girls amounted to zero. More recently, a similar trend seems to involve Nigerian OCGs as well” (IT-E8). Due to the intimidating force of voodoo rites, Nigerian victims are not directly controlled when working; on the contrary, east Europeans are subjected to strict supervision by members or employees of OCGs (IT-E18).

Third, the central role of females in managing exploited victims, in most cases supported by their partners or other male/female assistants. The Nigerian *maman*, usually a previously exploited woman able to marry an Italian man or to obtain a residence permit, is the point for sexual exploitation and may also work as a prostitute (IT-E18; IT-E20). She controls (i.e. demanding messages via mobile after each service) and organises trafficked victims, coordinates their activities and collects the income they make (IT-E19; IT-E24). Males (also partners) provide support through coercive and violent means when victims are reluctant or intend to emancipate (Baltoni, 2011). In some cases, exploited victims live with the *maman*, in others they are located in different apartments with other exploited women and girls, some of which may have legal residence permits as to be secured from police control (IT-E7; IT-E15; IT-E20). The *maman* may be supported by male or female assistants and other members or recruited individuals, depending on the number of victims (Table 1).

**TABLE 1. NUMBERS OF VICTIMS AND CORRESPONDING UNITS OF CRIMINAL ENTREPRENEURS IN A LOCAL CONTEXT**

Victims	Maman	Partner	Handyman	Bodyguard	Supervisor	Cashier	Courier – Transporter from/to Nigeria
1-3	X						
4-6	X	X	X				
7-10	X	X	X	X			
11-15	X	X	X	X	X		
15+	X	X	X	X	X	X	X

Source: Authors' elaboration on Carchedi (2016a).

A study carried out in the city of Asti (region of Piedmont) has underlined that 3 or 4 *maman* are active, each exploiting from 4 to 6 victims, and receiving the support of female assistants (known as *petite maman*) with different roles. One *maman*, in a medium-high level position, is in relation with a partner belonging to a cult and in charge of intimidations and debt recovery (Carchedi, 2016a). Similarly, Chinese prostitution is managed by females – they make the appointments, collect the revenue, distribute money, provide food and clothes for the victims – and can be supported by males (Beretta et al., 2016; IT-E14). Albanian women, after years of prostitution and similarly to Nigerian ones can control



small groups of 3-4 victims, supported by their partner or another male member of the organised crime group (IT-E3; Russo, 2010).

## 2.2. Labour exploitation: the key role of the agricultural sector

The economic sectors of labour exploitation in Italy are textile, construction, the tourist and hotel industries, food services, and in particular agriculture (Shelley, 2014; Palmisano, 2017; IT-E10; IT-E11). Exploitation of Nigerians as drug sellers has been reported, together with other works such as parking attendants, window washers and beggars in the streets regarding other nationalities. As for female victims from eastern Europe (e.g. Bulgarians, Romanians) exploitation occurs for jobs such as caregivers (IT-E12; IT-E4; IT-E6; Bertolotti, 2017; Save the Children, 2017).

Chinese migrants are mainly exploited in textile and clothing factories, or in restaurants, where employers may be either Chinese or Italian nationals who have transient relationships of reciprocal interest with traffickers. It is more likely that the owners of factories and companies (especially Chinese) know the criminal entrepreneurs involved in illegal immigration (called *shetou*) and rely on them to acquire labour force at low cost (Becucci, 2016; IT-E2). The opposite may also occur. In one police investigation, the Chinese trafficker was in contact with two Italian representatives of a cooperative of job placement, compliant in delivering fictitious employment contracts and fake paycheques (IT-E14). In other cases, there is no link between the traffickers and the subsequent employers. Thus, within the Chinese community a recruitment service exists based on specialised bars and newspapers, as for example in the city of Milan (Beretta et al., 2016).

East Europeans (Romanians, Bulgarians, Poles, Slovaks, Lithuanians) and sub-Saharan Africans are the main nationalities exploited in the agricultural sector, with the highest concentration in the province of Foggia (i.e., the area of Capitanata) in the region of Apulia (Sagnet and Palmisano, 2015; Ciconte and Liberti, 2016). Migrants are subjected to constant internal exploitation from north to south due to the specificity of harvesting seasons (Leogrande, 2016; IT-E11; IT-E16). "By the end of winter they brought us to pick potatoes at Cassibile [in Sicily], then they told us we had to go to Apulia. It is four years that we make this travel. [...] When we arrived to the city of Lecce, they brought us with a light van to an Algerian man, in the farmlands of the town of Nardò" (Sagnet and Palmisano, 2015: 19-20). This form of exploitation involves also Italians, especially as a result of the economic crisis, while in regard to migrants the distinction between trafficked and smuggled individuals is not always definite. "It is hard to prove that the person employed in the tomato cultivation in Apulia is exploited as a consequence of trafficking. It is a multi-faceted situation. Migrants arrive through different illegal ways, and even if they have resident permits, they remain in a vulnerable situation. More likely, the discriminatory variable is the debt bondage. Slavery is the tip of the iceberg, under which there is just the exploitation of migrants" (IT-E11). In this regard, native and foreign OCGs benefit from



what can be defined as a “criminal system” in which legal and illegal entrepreneurs operate (i.e. grey area) based on the ancient Italian labour method of gangmasters and suitable to respond to the actual dynamics of the food industry (IT-E11; IT-E17; L’Espresso, 2016; Scotto, 2016).<sup>8</sup>

On one side, some foreign OCGs may recruit individuals with the promise of a legal job, arrange their travel and their further employment in agriculture in slavery conditions, as in the case of Polish or Romanian OCGs (Iovino, 2016; Leogrande, 2016). In a police operation named Piana (from the location of farmlands, Piana del Sele), carried out in the province of Salerno, a transnational criminal organisation comprising of Romanians and Italians was dismantled after lawsuits of some of the Romanian victims. The offenders were accused of having trafficked mainly women for labour exploitation between Romania and Italy. The latter were cheated with false promises of good profitable legitimate employments, but then exploited in agriculture. Female migrants were forced to work in local farms, underpaid and threatened. These criminal entrepreneurs were in charge of illegally intermediating with employers, subtracting documents, collecting payments (at higher prices) for accommodation and transportation, extorting money for residence permits and keeping a part of the salaries (Iovino, 2016).

On the other, Italian OCGs, especially where deeply rooted, such as in the south of Italy, and the regions of Sicily, Calabria, Apulia, and Campania, make profits thanks to the control of some areas where labour exploitation takes place (IT-E16). “In certain places, villages, gangmasters and farmers have to keep good neighbourly relations with local OCGs. This may consist in protection money and extortions” (IT-E11) or exchanges in other criminal activities, such as drug selling. For example, in one investigative operation named Svevia in 2000, local OCGs active in the province of Foggia, were interested in the tomato supply, and in perpetrating extortions money to farmers of around €1,000 for each shipment leaving the farm (Leogrande, 2016).

Gangmasters connect demand and supply, and offer their service to farmers, thus overcoming legal ways of recruitment. “In most cases, these persons are the only point of reference for the job searching of migrants devoid of the possibility to contact employers, and their role is crucial in less populated areas. [...]. More often, they have worked for a long time in the territory and know employment mechanisms. Their activity is usually subjected to an Italian gangmaster who, in turn, is recruited by unscrupulous farmers. Unlike in the past, these actors now manage not only the recruitment of workers but also all aspects of their lives (i.e. hours of working, salaries)” (Pisacane, 2016: 44-45). Gangmasters form criminal networks. On one side, they are linked to intermediaries, such

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<sup>8</sup> Farmers need to keep very low production costs because of the dynamics of the globalised food market where their power to negotiate prices with industries that process their rough products is almost inexistent (IT-E11; IT-E16; IT-E23). As stated by one previous victim of labour exploitation (IT-E23) “In my opinion, the real gangmasters are food corporations that through a mechanism of lowering costs force farmers to resort to gangmasters to have labour force at a very low price to compete on the market.” Another reason for the use of gangmasters to hire day labourers is related to the cycles and timing of harvesting. In many cases, farmers need labour force in very short times (Ciconte and Liberti, 2016).

as recruiters and travel organisers in the countries of origin of migrants; on the other, they are in constant relation with other gangmasters and intermediaries operating in the same region or areas of Italy. In one judicial investigation, interceptions of two Polish gangmasters, revealed connections with others collaborating for the placement of workers, and deciding the farmlands where employers could work. Some of the gangmasters charged in the trial were also involved in smuggling of solar panels, and were trying to organise operations of trafficking in weapons. Another gangmaster, for example, was connected to a friend receiving girls who wanted to work as prostitutes and paying €2,500 for each (Leogrande, 2016). Thus, as stated by an interviewed expert and as it results from investigative evidence (IT-E10; DIA, 2017), the presence of native OCGs in the agricultural sector, referred to as “agromafia” (agricultural mafia), may favour this form of illegal employment and exploitation, and the profiting from this criminal system, but there is no direct involvement. The lucrative business of Italian organised crime groups is to infiltrate and/or acquire legal farms, especially those facing economic difficulties, in order to infiltrate or control the supply chain, such as for example imposing the purchase of specific commodities, and easily launder revenues of other criminal activities (i.e. agromafia) (Europol, 2015; IT-E10; IT-E11).

Exploited migrants face hardship which includes very unhealthy and unsafe living and working conditions, high number of working hours per day (from 12 to 14), threats from gangmasters if they are reluctant to work, having residence in overcrowded and crumbling facilities, neglected right to receive medical aid if needed, and having their documents seized by gangmasters. “Passports, residence permits, and IDs are seized under the pretext of making employment contracts, while the real one is to keep us under their control. Sometimes, our documents are sold to irregular migrants” (Sagnet and Palmisano, 2015: 29). In other cases, employment contracts are absent or fictitious, or migrants are employed on piecework (IT-E15; IT-E23; Pisacane, 2016; Iovino, 2016; Leogrande, 2016; MSF, 2008; Galeazzi, 2016). As contended by one interviewed expert, this option is paradoxically preferred by the former since it allows to earn more money being paid for each filled up container (of tomatoes, for example) (IT-E16). In general, women compared to men are preferred by exploiters since they have fewer complaints and accept lower salaries: €37 is the daily pay for men, while women earn €22 if Italian and €20 if foreign. A hierarchy also exists for retributions in which Caucasian workers receive higher payments compared to African workers (Sagnet and Palmisano, 2015). As stated by an interviewed victim of previous labour exploitation: “It is hard to fight back this system. The daily threats we suffered, perpetrated by gangmasters and farmers. When the court trial ended, the sentences documented the state complicity with, for example, labour inspectors informing farmers about the day of inspection” (IT-E23).

### 3. FINANCING AND FINANCIAL MANAGEMENT

As for the financial management of trafficking in human beings, the main data gathered was for Nigerian OCGs for two main reasons: nowadays in Italy they represent the most emerging criminal entrepreneurs involved in this criminal activity; the high numbers of Nigerian victims reaching the country and further exploited into prostitution, some of whom decide to collaborate with police forces and judicial institutions to escape their situation. East European OCGs have a long history in terms of sexual exploitation and are not the main and recent focus of criminal investigations. Chinese OCGs, even if investigated, are an insular ethnic group, thus allowing for more limited information to be gathered, mainly by undercover police activity.

#### 3.1. Sources of capital for initiating/sustaining operations of trafficking in human beings and profiles of financiers

Although Nigerian OCGs are active in the drug and sex markets, it appears that the source of financing for the trafficking operations may come from the same criminal activity or other illegal activities. As a matter of fact, the distinction is blurred when transnational OCGs are involved, and this can be true also for Eastern European criminal entrepreneurs, such as for example Albanians that operate in drug trafficking and sexual exploitation (IT-E4; IT-E10; IT-E18). Nevertheless, as underlined by one expert, Albanian OCGs when settled in Italy have started to gain profits through prostitution, and then reinvested them into drugs to be sold to Italian OCGs at a very favourable price, which allowed them to gradually ascend the hierarchical structure of this criminal market (IT-E8).

Social capital more than financial capital is crucial as to recruit potential victims in the countries of origin (IT-E4). For example, Chinese clans (i.e. extended families) are actively involved in identifying nationals that can be moved and further exploited abroad (IT-E2), and in most cases some of their members are the financiers of the trafficking operations: “None of these Chinese migrants could leave without paying any money. It was a real extortion of OCGs against family clans, which were obliged to turn to loan sharks to pay for travel. A real form of getting into debts, but not with traffickers” (IT-E14). Similarly, family members and relatives play a key role in recruiting potential Nigerian victims. More generally, community relations in rural villages facilitate the process, where different individuals besides family members are in contact with the *maman* or other members of OCGs and act as intermediaries – e.g. friends, acquaintances, priests, etc. (IT-E25). As for the financiers, there are different situations: in some cases, it is the *maman* who pays for travel and documents (if needed) in advance. “[This Nigerian OCGs] with operative cells in the city of Catania, Genoa and Rome, was managed and promoted by *maman* Jennifer who handled all the relationships with members/associates in Nigeria

and Libya, followed the travels of victims through Africa till the Libyan coasts, and provided the necessary sums of money as for the victims to arrive to Italy” (Save the Children, 2017: 68). In other cases, experts point out the role of sponsors, that is persons close to the families of the victims that offer to cover the required expenses. There are cases in which the money is advanced by family members or relatives, usually getting into debts or selling their properties, and that wait to be repaid with the earnings of the victims once they have started to work in Italy (IT-E15; IT-E18; IT-E19; IT-E20; IT-E22; Di Nicola & Musumeci, 2014). The amount of debt may be known by the family, which allows to negotiate with recruiters: “in one judicial case, all the trafficked girls had to repay an amount of €30,000, except for one girl for whom the family was able to agree an amount of €25,000” (IT-E4).

In Libya, other payments are required by Nigerian OCGs, which leave the victims to other local criminal/military groups, since at present they cannot count on previous corruptive networks. Stories of women refer to the trade between Nigerian criminal entrepreneurs and Arab gangs. Victims are kept into connection or ghetto houses until the *maman* in Italy pays this additional amount for their release (Zandonini, 2016; IT-E4; IT-E21). If she has no money when requested, victims can be bought by other *mamans* even in Libya. “There are ladies that go to these connection houses to buy women and girls, with the intention of profiting and making them move to another location or country” (IT-E4). The financiers may be family members or relatives as well, to whom more money is extorted (IT-E21). Similarly, Chinese victims are sold during their journey to Italy, sometimes more than once, either to other members of the same OCGs, or to other criminal groups (IT-E2; IT-E14). This way, it is possible to earn more money, or to share with other criminal entrepreneurs the profits of trafficking. “In this judicial cases, involving very long land routes, groups of around thirty Chinese migrants were sold several times to various criminal groups that managed different legs of the travel and that were in contact with each other” (IT-E2). Simulated kidnapping may occur as well, and perpetrated by members of the same OCGs. This way, the anticipated amount of money is not considered, and additional money is extorted from the families or relatives of the victims (IT-E14). On the contrary, when east European OCGs (e.g. Albanians) are involved, the recurrent scheme is the payment for travel, visas, and documents to be made in advance, since usually the agreement with the victims is that this amount will be repaid once starting to work in Italy (IT-E4).

### 3.2. Settlement and methods of payments

In general, migrants cannot leave if payments for travel and documents (when needed) had not been delivered to the respective persons (i.e. OCGs members, intermediaries, relatives, acquaintances) in charge of the recruitment and arrangement of the journey, residing in the countries of origin (IT-E15). The most used method to settle payments are pre-agreed instalments, that is an initial sum of money to cover initial travel and documents expenses, and another sum of money once the victims start

to work in Italy and to repay their debt. For example, in one judicial case on a Nigerian organised crime group, “the woman (maman) asked [her contact] how much money was needed for the girl to arrive to Italy. The contact explained the procedure and the payment: first he would have to deposit half of the amount to his trustee in Nigeria, and the other half when the girl would have reached Italy” (IT-E20). In another investigative operation regarding Chinese migrants, the payment was made in three instalments: “The agreed settlement of payment was 1/3 of the total amount before the departure, another 1/3 once arrived to Italy, and a final 1/3 through working (i.e. labour exploitation)” (IT-E14).

In some cases, it also happens that all the requested amount of money is advanced by sponsors, family members, or relatives before potential victims leave their country of origin (IT-E7). The agreement is then to repay once victims are employed in Italy. Sponsors, who can be also intermediaries of OCGs, will be repaid by them or in a later moment when victims start to work (IT-E7; IT-E8). On the contrary, family members or relatives run the risk not to be repaid. The reason is that victims are not able, in most situations, to send money to their home country because of the debt and the obligation to leave almost all the earnings to their exploiters (IT-E2; IT-E4; IT-E15; IT-E25). In the case of Nigerians, for example, the profits of victims and the possibility to send money to their families depend on their settlement in Europe and their subsequent career as *mamans* (IT-E20).

Besides the use of cash smuggling, which is always preferred since less risky, when OCGs anticipate the expenses of the travel and of eventual documents for migrants, there are four main methods used to send the money to the contact person in charge of organising the journey in the country of departure (IT-E10; IT-E12; IT-E15; IT-E18; IT-E19; IT-E24):

1. *Hawala*, an informal value transfer system, which is used in particular by north African and Muslim populations and represents “cash-in and cash-out businesses that primarily send personal remittances of low value and that do not preclude sending high value business transfer” (FATF, 2013; Europol, 2015).<sup>9</sup> Besides the separated physical transportation of money, payments are made through the use of papers with codes among trusted brokers (*hawaladars*) (IT-E6; IT-E20).
2. Money transfer services (e.g. MoneyGram, Western Union, WorldRemit), especially with reference to Nigerian criminal entrepreneurs: “in some investigations, it was evident that [these groups] hold ethnic or money transfer shops used as a cover for illicit money flows” (IT-E12). The owners can be members of OCGs or accomplices, who borrow their ID documents or use other customers’ identity cards as to overcome the daily limit of money transfer.
3. Postepay service, which consists in a rechargeable credit card allowing to transfer money.

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<sup>9</sup> This type of service has been defined by the Financial Action Task Force (FATF, 2013: 15): “criminal *hawala*, [a system] driven by illegitimate money flows and often controlled by criminals or criminal groups [...]. These criminal networks are characterised by high value transactions between legal and natural persons that do not necessarily share the same cultural/geographic background.”



4. Bank accounts, where the transfer of money is usually delivered to bank accounts of straw men, who can be family members/relatives/acquaintances (of the contact person as well) or individuals connected to members of OCGs.

When trafficking involves migrants from Africa, and particularly from Nigeria, the same methods of settlement of payments are used in other two circumstances. First, if more money is needed in Libya for victims to cross the Mediterranean Sea. “The person in Nigeria appoints the smuggler for transportation and incurs a debt. It is not clear if the former sends the money from Nigeria, or if he pays through a contact in Libya. But the methods are *hawala* or money transfer services” (IT-E20). Second, when victims are kidnapped by or sold to other criminal/military groups in Libya. For example, in one judicial case, while migrants were kept prisoners in one camp in Sabha, there were persistent requests to their families to credit sums of money for their liberation through MoneyGram, Western Union or to bank accounts headed by family members (IT-E21). Unless the victims or recruiters hold a direct contact with traffickers and/or smugglers, and payments are mostly handled in cash, in all the other cases the aforementioned methods are applied. Consistently, the latter are used when paying individuals involved at the various stages and with different roles within the trafficking chain, as it occurs for example with “trolley men” or *boga* – the persons accompanying the victims from Nigeria to Libya – and the ticket man – the person in charge of recovering victims in Italy (IT-E21; IT-E24).

#### 4. COSTS OF DOING BUSINESS

Costs of trafficking are mainly related to travel and/or documents expenses when OCGs are the financiers both from the country of origin and through Italy to reach the final destination. These costs are not particularly high if compared to other criminal activities, such as for example drug trafficking (IT-E8; IT-E15; IT-E20). In general, costs depend on the distance between the countries of origin and destination of victims, and the method of transportation (IT-E18). As reported in one judicial case on a Nigerian organised crime group, there are two ways of trafficking, which are in turn related to different prices (IT-E20). The first option, which regards travelling by airplane is the safest but also expensive, since it includes the costs of the ticket, documents and corruption in the countries of origin/transit. The second, concerning the arrival to Italy by sea (crossing the desert of Niger and leaving from Libya on boats) is cheapest, although riskier. Differences in costs of travelling encountered by traffickers reflect in diverse amounts of the debt of victims (e.g. around €80,000 if they arrive to Italy by plane and around €30,000 if they travel by land and then sea).

For victims arriving from Nigeria to Italy through the most frequently used land and sea routes by traffickers (i.e. from Benin City, crossing the desert of Niger to reach Libya and then Italy) that are subsequently



exploited in the sex market, the cost of travel ranges between €2,500-€3,000 and €5,000 (IT-E4; IT-E7; IT-E9; IT-E10). This amount pays for travel and for the persons in charge of transportation (*passseurs*) (IT-E12). It has been contended by one expert that when the amount is around €5,000, part of it is supposed to pay the ransom requested by other criminal groups operating in Libya that keep migrants hostages in connection or ghetto houses (IT-E4). In some cases, additional money is required by OCGs, a sum that can range from €200 to €500, as to allow victims to continue their travel to Italy (IT-E4; IT-E21). The total amount of costs for having the victims arrive in Italy can be also higher. In one judicial case, the initial price paid by the *maman* to her contact (partner) in Nigeria was €4,000, although the cost of the operation amounted to a total of €11,000: "He explains that the money is needed for the business, and that she does not have to complain since the total amount [€11,000] corresponds to a favourable price. He also says that he will add to the €4,000 another €2,000 for extra expenses" (IT-E20). A similar price for trafficking a girl from Nigeria to Italy and the city of Genoa was reported in another judicial case, where the total amount to be paid to all the persons involved in her illegal entry was €12,000 (IT-E20). Other judicial evidence refers to lower total costs for the journey (i.e. travel, transportation, intermediate stage) – between €500-€800 (IT-E24). As for Nigerian criminal entrepreneurs, other costs are related to the voodoo rites before victims leave their country of origin: in one judicial case the price paid by the contact of the *maman* in Nigeria was €500, while from another source of information the price was €150 with the obligation for the victims to pay another sum of money once employed in Italy and start to repay their debt (IT-E25).

Once Nigerian victims reach Italy, there are other costs to be sustained by OCGs. First, there is the cost of travel to the final destination. For example, in one case the price was around €300 (IT-E8), although the presence of different options and routes at the national level can make this estimation particularly challenging. When victims are recovered at the points of arrival (i.e. shelter centres) by a member or employee of Nigerian OCGs or the *maman*, this person is paid around €50 per journey. Second, there is the cost of management of the prostitution activity, such as paying the person in charge of accompanying and controlling victims on a daily basis while working (who can be Italian as well), who receive between €25-€50 per day; renting of street spots for prostitution (referred to as "joints") that cost around €50-€150 per day and are paid to the owners that are usually other criminal entrepreneurs, e.g. Albanians OCGs (IT-E4; IT-E24) (Table 2).

Other costs are related to the laundering of profits, and in particular to services that allow to transfer money to the countries of origin. For Nigerians, the commission charged by the owners of money transfer services is around 1%. There are some OCGs that while using cash transportation for their profits, offer the same service to other traffickers: "The organisation charges 6% of the transported amount that includes the delivery and concealment of money, transportation and air ticket, and final consignment. And this is also used for licit money, since it is

**TABLE 2. INDICATIVE COSTS INCURRED BY NIGERIAN OCG FOR A TRAFFICKING OPERATION (SEXUAL EXPLOITATION)**

Type of cost	Range (€)
Travel from Nigeria to Italy (by land and by sea from Libya)	2,500/3,000 – 5,000
Voodoo rite	150-500
Ransom to criminal groups in Libya	200-500
Passeur	220-330
Travel in Italy (point of arrival to destination)	300
Ticket man	50
Accompanying and controlling the girls to/at joints	25-50 (per day)
Renting of joints	100 (per month)
Money transfer service	1%-2% for each money transfer
Money courier	6% of the sum transported

*Source:* Authors' elaboration on gathered data, *Open Migration* (2017).

preferred to money transfer services where movements can be traced" (IT-E6). Usually, this service occurs within the *hawala* system.

For labour exploitation involving African, Chinese and east European migrants, the costs related to travelling, the intermediation of recruitment agencies or persons in charge of providing documents, and visas (both for the journey if needed, and to remain in Italy) are in general covered by the victims (Leogrande, 2016; Palmisano, 2017; Sagnet and Palmisano, 2015; IT-E2; IT-E14) and no costs are incurred by the criminal entrepreneurs. In one case, for example, Polish migrants paid to the recruiter or the driver of the bus a total of €200, plus another sum of around €50-€100 to other intermediaries. One Polish exploited victim, in particular, refers to having paid €200 to the recruiter and another €120 to the driver, after which he was able to leave for Italy. In another case, a Polish man directed to the city of Foggia in the region of Apulia reports to have paid €150 to traffickers, €50 to an intermediary as to pass the last border and other €50 after the first week of work (Leogrande, 2016). Consistently, a young Tunisian boy had to pay €2,000 to an intermediary to obtain the residence permit to stay and work in Italy (Sagnet and Palmisano, 2015). The actual costs are borne by future exploited victims, while profits are gained by gangmasters by reducing the final amount of salaries. In the agricultural sector, for example, the amount of wages for workers is agreed between the gangmasters and the farmers. While the former makes profits from deducting part of the daily earnings of workers, and charging other costs to them (e.g. transportation, food, etc.), the latter is able to make profits due to the very low cost sustained for production (Palmisano, 2017; Sagnet & Palmisano, 2015). For example, drivers that bring migrants to the farmlands on a daily basis are paid €600 per month by gangmasters,

but this cost, as explained below, is actually paid by exploited victims (Palmisano, 2017).

## 5. PROFITS AND PROFIT SHARING

As pointed out by Europol (2015) exact and overall estimations of profits from trafficking in human beings is challenging, and when available are unreliable. This is valid also for estimating profits of trafficking and exploitation at the national level. It is, however, possible to give indicative amounts of profits mainly referred to specific cases. In general, the debt incurred by the victims represents the main source of profits for OCGs. For example, the total amount of the debt for Nigerian women and girls ranges between €30,000 and €60,000, while for Chinese victims exploited in the sexual and labour markets is €15,000-€20,000 (IT-E6; IT-E8; IT-E9; IT-E14; IT-E20; IT-E21; Di Nicola & Musumeci, 2014). The requested sum of money is set completely arbitrarily by exploiters, since it does not correspond to the costs sustained for travelling, eventual documents, and access to work, and can therefore be even higher. In one judicial case the total debt of the exploited girl was €90,000, forcing her to consign €500 per week to the exploiter. It can depend on the behaviour of the victim, that is “€50,000 if she behaves and €70,000 if she misbehaves” (IT-E20). Nigerian OCGs also make profits by selling trafficked victims among *mamans*, as documented by one judicial case in which one girl, once arrived in Italy, was sold to another exploiter for €8,000 (IT-E20). When the debt is repaid, and in most cases this happens over many years, the victims are free to leave their exploiters and to find another job. When Nigerian women and girls are involved, it is more likely that they become *mamans* and carry out the trafficking and exploitation activities using contacts developed during their experience. Thus, the constant arrival and employment of victims is essential for OCGs to continue making profits.

Sexual exploitation victims are forced to deliver daily earnings to their exploiters until the sum of the debt is repaid. Usually, they are supposed to earn a certain amount per day which can be around €100-€300 for Nigerians and east Europeans. The opportunity to earn a certain amount per day is related to the ethnicity, the physical appearance, and the location of working (i.e. joint) (IT-E6). The sex market is highly competitive and victims who are pushed to generate profits due to the debt and intimidations can even work for very low rates (IT-E8; IT-E9; IT-E20). Nigerian prostitutes, for example, can work for an average of €30 per service, and even for less (around €10-€15). On the contrary, east European victims (Albanian and Romanian) can charge higher rates (around €30-€50), since in general they are better looking, work in central areas, and may have apartments at their disposal where to bring clients (IT-E8; IT-E12). Reaching the daily requested amount, particularly for Nigerians, in practice means working 10-12 hours per day (IT-E2; IT-E6; IT-E8; IT-E20; IT-E21). The amount of the debt for OCGs is almost a net profit due to the fact that victims have to cover the rent of houses/

apartments, food and clothes expenses, thus earnings pay both the debt and living expenses (IT-E8). As reported in one judicial case (IT-E20), an exploited girl was supposed to pay €250 for the monthly rent plus €40 per week for the food. While Albanian criminal entrepreneurs have adopted a more contractual model and leave 30-50% of the earnings to the victims, Nigerians keep all the generated income (IT-E10). As a result, exploited women and girls are able to repay their families (if they are the financiers) or to support them, once free and usually when they become *mamans* and start to exploit other victims. For this reason, when possible victims try to conceal some of their earnings and send them to their families (IT-E8). Similarly, Chinese women and girls exploited in massage centres or apartments are forced to leave all the earnings to the owner/boss (usually a woman) until they have repaid their debt, and receive a small amount of money to cover their living expenses (IT-E14).

Within Nigerian OCGs, the money collector is the *maman*, who keeps tracks of revenues and expenditures on papers or notebooks. Within Chinese groups it is also a woman in charge of exploiting the girls and keeping their profits (IT-E14). In particular, the *maman* is responsible for delivering the proceeds to her partner or husband and to pay the other individuals who support her in managing the prostitution activity: “the girl was used to deliver the money to this lady who, in turn, every week sent the profits to Nigeria minus the costs to pay her husband and for living expenses” (IT-E4). It is believed that part of the profit is also divided among the higher level of OCGs, that is other male members residing in Italy and other European countries (IT-E9; IT-E15).

The scheme that generates profits in labour exploitation is somehow different. Besides traffickers there are other legal or illegal actors who make revenues within a grey economy. The first source of profiting for OCGs regards travel and document expenses that are covered by migrants. The latter usually pay the recruitment agencies in the country of origin and, in some cases, in Italy. Available examples are related to different economic sectors: €200 each month are remitted by a caregiver employed in Italy; €700 a year are paid by a waitress working in a hotel on the Italian coast; €200 to a Polish recruiter to work in agriculture (Palmisano, 2017).

In the agricultural sector, while farmers earn from employing labour force at a low cost (and this is valid also for processing companies and corporations within an “adulterated” production system), illegal profits from labour exploitation are mainly made by gangmasters, employers (when recruitment agencies are involved), and the owners of the lands where accommodations for workers are located (Sagnet & Palmisano, 2015; Palmisano, 2017; Ciconte & Liberti, 2016; IT-E10; IT-E15). As for farmers, earnings are still high and allow them to remain in the market, as explained above. The following example is indicative: “They told us that we would be paid €3 for each container of tomatoes.”<sup>10</sup>

<sup>10</sup> These wages (i.e. €3 per crate or €3.50 per hour) are not aligned with the salary prescribed by law in national contract agreements for this type of work, which should be €4.40 euros as a minimum threshold for 6.5 working hours per day (Leogrande, 2016; Sagnet & Palmisano, 2015; IT-E23).

Five workers were able to gather 25 containers per day, each of them earning €15 and each container holding 2.8 tonnes of tomatoes. 25 containers a day are equal to a total of 70 tonnes of tomatoes. Since the farmer will sell each tonne for €60, profit margins are high" (Leogrande, 2016: 98).

Illegal profits of gangmasters are significant. In the area of Capitanata (located in the province of Foggia of the region of Apulia), Leogrande (2016: 204) reports the following example: "if the gangmaster subtracts 50 cents per hour from the salary of day labourers (paid in some cases €2.80 instead of €3) after 10 hours of work, he has gained €5. If there are 50 workers, the amount increases to €250. In a month he profits €7,500." A Chinese criminal entrepreneur was used to subtract sums of money from salaries of the exploited victims in order to provide them with employment contracts and residence permits, and to have their debt repaid. "This boss usually told the victims: you have to pay me a total of €15,000 for your travel and documents, and to remain in Italy. Thus, you owe me €1,000 for the residence; €1,000 for the person that works in the prefecture; €1,000 for the policeman that helps me; €100 are needed to pay the representatives of the cooperative that found you the employment" (IT-E14). The monthly amount of salaries was settled between this boss and the representatives of the employment cooperative: "if the boss needed, for example, to legalise three Chinese migrants he made fictitious contracts to an amount of €1,000 per month. Out of this sum, €500 were for the worker and the other €500 were kept to pay governmental contributions as well as the debt and other costs for documents to remain in Italy" (IT-E14).

As for the agricultural sector, daily salaries are agreed between farmers and gangmasters, the former paying around €4-€5 per container, the latter deducting €1.50. An interviewed victim (previously exploited), claimed that they should have been paid €5 for each container of tomatoes gathered but that the actual amount was €3, with €1.50 withheld by the gangmaster. A worker was able to fill 6-7 containers a day (IT-E23). Although gangmasters sustain costs related to minivans, drivers, rent of accommodations and salaries of their assistants, the main part of expenses are recovered from employees. As an example, Leogrande (2016) reports an indicative estimation of profits equal to €1.5 million in two years (2005 – 2006) considering a total of 5,000 Polish workers in the farmlands of the region of Apulia and an average of one month of employment for each worker from whom €5 a day are subtracted by gangmasters. Charges of gangmasters are related to clothes used for working, accommodation (€30-€50 per month to the owner of the land), food (€4 per day), mobile phone recharging (50 cents), shower (€1), medical aid (€5 to be accompanied to the hospital). Penalties maybe also applied, such as €20 a day if workers do not comply with the arbitrary time of picking tomatoes. "From my daily salary of €20-€25, he subtracted €5 for transportation to the farmland; €3.5 for a sandwich and €1.50 for water. We actually received a net salary of €10 per each working day of 12-14 hours" (IT-E23). An Algerian gangmaster was reportedly bringing employees to bars, restaurants, and



supermarkets he owned, or to others owned by Italian accomplices, where food and other products were charged at three times more than the market price (Palmisano, 2017).

It should also be noted that it is not uncommon for salaries not to be paid at all to victims, meaning that their daily/monthly earnings, paid by farmers, are entirely kept by gangmasters, who in turn increase their profits. The latter may be also involved in other criminal activities while exploiting foreign and Italian workers, such as drug supply within farmlands. For example, consumption of amphetamine by Polish migrants has been reported, especially to bear the very heavy working conditions. Gangmasters acquire the drug at a wholesale price of €7 per gram and resell it at €30 per gram, which is a price higher than the average daily salary of workers. The latter may work for free to repay the drug. "In one occasion, my gangmaster bought around 160 grams and due to the difference in prices, he profited €3,000 in a few days" (Leogrande, 2016: 189).

### 5.1. Investment schemes

At present, the investigative and judicial evidence suggests that after living expenses and the costs for running the business revenues are reinvested to run the same criminal activity, and in drug trafficking especially with reference to Albanians and Nigerians OCGs. In general, net profits are sent to the countries of origin for two main reasons: either to finance new trafficking operations or to invest in real estates and commercial activities (hotels, restaurants, bars, etc.); this is valid, with very few exceptions, for all the foreign OCGs (IT-E1; IT-E2; IT-E4; IT-E6; IT-E12; IT-E14; IT-E20). For example, Polish gangmasters, involved in labour exploitation used profits to acquire real estates both in Poland and Italy: one of those "well settled in Italy and willing to stay, besides showing his wealth as every parvenu, has started to invest big shares in pubs, bars, apartments, cars, shops. In one year he bought a house for which he paid €160,000 in cash" (Leogrande, 2016: 206). Compared to other foreign criminal entrepreneurs, Chinese OCGs invest revenues in Italy, and this allows them to root in local territories, launder profits, and keep running their legal and illegal businesses. In one case, a Chinese boss opened bank accounts, and acquired houses and apartments thanks also to the complicity of bank directors and notaries. "Using copies of the documents of exploited migrants he opened bank accounts, made notary deeds, and to put the signature it was not the documented Chinese but another national paid €200 for this service." Some migrants, "after having repaid their debt and applying for a mortgage to a bank as to buy an apartment, discovered to be the holders of three houses and of negative bank accounts" (IT-E14). Notwithstanding this, part of the profits is sent back to their country of origin: "The system used was the concealment of cash transported by plane. There was a list of individuals with this role and working for Chinese criminal entrepreneurs. The typical route is leaving from Italy to Portugal or Spain and from there to China. Once, a man arrived to Lisbon to recover a suitcase with €600,000, then he left by plane to Beijing to deliver the money and returned to Rome. He was



used to travel 3-4 times a year. These are trusted men, well known to transfer money, which is the most important criminal activity, and also related to the hawala system” (IT-E14).

The same method and other money transfer systems, are employed by Nigerian organised crime groups that, unlike Chinese OCGs, invest all the revenues in their country of origin (IT-E1; IT-E2; IT-E6; IT-E19; Save the Children, 2017) for two main reasons. First, to acquire properties and commercial activities for themselves or family members: “my *maman* used the money I gave her – €11,000 – to finish her house in Nigeria” (IT-E21). Second, to sustain the economy of some African states. It is documented, for example, that almost the entire economy of Benin City is supported by the money made through trafficking and sexual exploitation; when the first migrants arrived in Europe, they understood the potential of this criminal activity in terms of profits (IT-E25; Musumeci & Rosini, 2017; Carchedi, 2016a). Nigerians prefer to “transport cash, through individuals called also ‘trolley men,’ who arrive at the last minute at the airport with 8-9 large suitcases wrapped in cellophane. Confident in the very limited time, they risk less control from customs officers and manage to transport this well concealed money” (IT-E6). A small part of profits invested in Italy is for buying or renting ethnic shops or bazaars that in many cases are covert places offering services such as money transfers used by *mamans* or her assistants (IT-E4). Another scheme used to send profits to the country of origin is called “euro-to-euro”, an informal value transfer system based on services and guarantees *ad personam* (i.e. linked to the credibility of the intermediary) within a widespread network of intermediaries located mainly in Nigeria, and with money collectors in Italy (IT-E4; IT-21). In one judicial case, its functioning is explained as follows: “A first man calls the [*maman*] who refers to him the account details [i.e. codes] of the euro-to-euro payment. Then, the same man calls another person to communicate the received account details. The latter will communicate this information in Nigeria as soon as he has finished to work. The first man calls back the [*maman*] and confirms to have reported the received information, and that the person receiving the money in Nigeria will go on Monday” (IT-E21). Similarly, east European OCGs, invest profits in their home countries to acquire real estates, commercial properties (e.g. bars, restaurants, pubs, hotels) and companies, using mainly cash transportation and money transfer services. A smaller part of the revenues or the total amount (in case of small criminal groups) is spent on a lavish lifestyle. “In one investigation of Albanian and Romanian criminal entrepreneurs, it was evident the fast change of luxury cars, and profits were mainly used to show off a high standard of life. They do not have a particularly dynamic entrepreneurial spirit if compared to drug traffickers” (IT-E1).

## 6. FINANCIAL INVESTIGATIONS OF THB CRIMES: CHALLENGES AND GOOD PRACTICES

The majority of interviewed experts agreed that the national legal framework and the criminal provisions are comprehensive and allow the tackling of trafficking in human beings both for sexual and labour exploitation. After a huge protest in 2011 of day labourers in the farmlands of the town of Nardò (in the region of Apulia), a specific provision on countering undeclared work and labour exploitation in the agricultural sector (art. 603 bis, c.c. “Illicit intermediation and work exploitation” – dubbed the “gangmaster provision”) was introduced into the Criminal Code by Law No. 199/2016 (IT-E11; IT-E23; *L’Espresso*, 2016; *La Repubblica*, 2016).<sup>11</sup>

Due to its key geographical location between Europe and the countries of origin of most exploited victims, Italy has enacted specific domestic legislation prohibiting the exploitation in human beings in different modalities, which includes prostitution and other forms of abuse of persons who are in situations of vulnerability. Italy is bounded by international treaties and European directives, among which the United Nations Convention against Organised Crime and its Protocols (ratified by Law No. 146/2006), thus the Criminal Code has provisions which incriminate conduct related to trafficking and smuggling. In particular, before the ratification of the United Nations Protocols, Law No. 228/2003 had already introduced/modified the provisions against trafficking in human beings envisaging crimes such as “Reducing or holding a person in a condition of slavery or servitude” (Art. 600 c.c.), “Trafficking in persons” (Art. 601 c.c.), “Trade in slaves” (Art. 602 c.c.). Paragraph 6 was also introduced to Art. 416 of the Criminal Code, which refers to the “Participation in a criminal organisation” that includes increased penalties if there is an association that commits crimes under the aforementioned articles on trafficking and smuggling in human beings (Spiezia, 2008; European Commission, 2018a).<sup>12</sup> Art. 416 bis c.c. “Mafia-type associations, including foreign ones” and Art. 601 c.c. and/or Art. 602 c.c. allow the prosecution of organised crime groups involved in trafficking in human beings. These have been applied, for example, in court trials in the cities of Turin and Palermo where Nigerian OCGs were sentenced under these articles. If Art. 416 bis c.c. is charged to foreign OCGs, it is possible to seize and confiscate (i.e. final stage of proceedings) cash and assets that represent the proceeds of crime. Preventive seizure and confiscation (ex Art. 240 c.c.) are envisaged under paragraph 6 of the same law and regard all predicate crimes; the same applies to money laundering

<sup>11</sup> Although this represents an important step forward to the fight of labour exploitation, it has been contended that the law lacks preventative provisions, such as the obligation of transparency of the supply chain (i.e. information to consumers on the farms and processing companies that sell food) (IT-E23).

<sup>12</sup> Legislative Decree No. 286/1998, Art. 18 envisages special residence permits for humanitarian reasons for third country nationals subjected to violence and serious exploitation. The residence permits can be granted in two ways: a judicial path that is dependent on the victim’s report of the crime and a social path that is contingent on the victim’s report but on the participation in a programme of social assistance and inclusion. For further details, also on criminal legislation, see Spiezia (2008); European Commission (2018a); European Commission (2018b); Goisis (2016).

punished under Art. 648 bis (IT-E4; IT-E5; IT-E6; IT-E21). These provisions, in particular, represent the strength of the Italian criminal system that has proved to be efficient in the fight of native OCGs due to the possibility to heavily undermine the material resources acquired through crime, and consequently the capability of OCGs to keep running their criminal activities (IT-E6; IT-E7; IT-E10). In general, Law No. 146/2006 is particularly important since: a) extends the comprehensive anti-mafia legislation to trafficking in human beings including the potential benefits to collaborating witnesses; b) identifies and punishes all the activities through which trafficking and smuggling can start and develop; c) balances the repressive and social approaches (i.e. protection of victims); d) attributes to the Anti-mafia District Directorates the competence of investigations and prosecutions of trafficking and smuggling which are considered to be organised criminal activities (Spiezia, 2008).

At the national level, investigations of trafficking in human beings for sexual and labour exploitation are, depending on cases (i.e. competent courts where the crime occurred), jointly carried out by the State Police, Carabinieri and the Guardia di Finanza (the Fiscal Police). Dedicated magistrates or pools for prosecution are settled in each Anti-Mafia District Directorate and coordinated by the National Anti-Mafia and Anti-Terrorism Directorate that coordinates also police forces (Spiezia, 2008; IT-E24). Despite the high level of expertise of law enforcement agencies and other field operators and the well-developed and comprehensive criminal legislation in Italy, there are some criticalities that impact on the possibility to carry out investigation and prosecution, also of financial type.

First, the collaboration of victims is necessary as to initiate the investigation and prosecution activities, but it is not always easy to obtain. Thus, in different cases it is not possible to proceed. "Although sexual exploitation and prostitution are indictable, the charges of victims are more effective in opening an investigative scenario and hypotheses, so as the activity can initiate" (IT-E10). But victims are in most cases, reluctant to report their traffickers or exploiters because this means that an investigation has to be started. They are afraid of retaliations against family members as well (IT-E1). On the contrary, it can occur that victims report to the competent authorities in times that are not compatible with police investigation and the prosecution activity (i.e. interceptions, judicial printouts), and after a path of social assistance and reintegration. In these cases, charges need to be filed in a short time. Second, prosecutions for trafficking in human beings are few in numbers. Such investigations involve long periods of observations and a challenging collection of evidence (i.e. probative elements), such as for example the state of vulnerability of victims which is not easy to prove. As a consequence, it is easier to notify the slavery condition than the crime of trafficking (IT-E4; IT-E6). Third, when investigations and interceptions can be initiated, there is the problem of language and translation related to the different dialects of foreign OCGs, and especially with Nigerians and Chinese. In particular, it is almost impossible to find interpreters capable to translate Chinese dialects. This ethnic group is very closed and suspicious, and their

members are not so willing to work for the judicial system (IT-E9). “In one case, while intercepting some gangmasters we were not able to understand their language. We tried different interpreters and then we realised that it was a particular Romanian dialect” (Leogrande, 2016:116). Similarly, translation gaps affect the questionings during trials; while the differences in the ethnic background makes the police proactive activity on the territory particularly difficult to be carried out if not impossible, and the same applies to undercover police activity (Perrucci, 2017).

Besides these criticalities, a particular challenging aspect is the possibility to carry out investigations in third countries such as Libya and Nigeria, that represent key countries for trafficking flows towards Italy. “While we have efficient instruments of judicial cooperation at the EU level and we collaborate, also on the basis of specific agreements, with other European countries such as for example France, Germany, the Netherlands, Albania, Romania, the situation in Libya makes bilateral police cooperation almost impossible” (IT-E5; IT-E24; IT-E22).<sup>13</sup> Cooperation, including the issuing of letters rogatory, is particularly difficult with Nigerian authorities, and when the investigation and prosecution activity ascertains that the revenues of trafficking were reinvested in Nigeria. “In one prosecution, the presence of bank accounts to which profits were transferred was ascertained, but it was not possible to proceed with the investigation for the lack of judicial cooperation. Investigations in Nigeria are needed to verify where the money went” (IT-E18). Despite the signature of a memorandum of understanding in 2016 that bounds Nigeria and Italy to jointly fight trafficking in human beings, in practice is still difficult to collaborate, and in the opinion of the majority of the interviewed experts because of high levels of corruption and the absence of institutional procedures that facilitate investigative and judicial cooperation.<sup>14</sup> As a result, in most cases the criminal assets are not traceable and seizures as well as confiscation cannot be applied, even in enforcing a sentence under 416 bis in Italy of a Nigerian OCG. Some of the interviewed experts consider this aspect to be one of the major vulnerability of financial investigations (IT-E6; IT-E7; IT-E9; IT-E10; IT-E20; IT-E24). It is therefore only possible to seize assets that are recovered in Italy once it is proved that they are linked to the commission of crime. “With regards to Chinese criminal entrepreneurs, it can happen to seize as much as €70,000-€90,000 in cash, within apartments or massage centres that were the profits of prostitution. But it is hard to start a broad investigation. While judicial collaborators and interceptions are key elements, finding these resources is difficult. The most important aspect in starting an investigation and detecting the upper levels of OCGs is international cooperation. For example, we are notified about Albanians, but no reporting on Nigeria and China is sent” (IT-E9).

<sup>13</sup> For further details on investigative and judicial instruments of cooperation at the EU level see GRETA (2016).

<sup>14</sup> The memorandum of understanding was signed in February 2016 between the Head of Italian Police and the Ministry of Interior Alessandro Pansa and the Nigerian Head of Police Solomon Arase. The focus of the agreement was the fight against trafficking in human beings and the collaboration to repatriate Nigerian nationals who for different reasons cannot stay in Italy. For further details, see Polizia di Stato (2016).

Due to the difficulties in tracing and confiscating the proceeds of trafficking in human beings when international cooperation is lacking, one possibility could be to detect and seize cash (which is the main method to reinvest and launder profits) when transported from Italy to other countries, especially third ones. But as pointed out by an interviewed expert this preventive approach would expose and undermine the ongoing police investigation (IT-E6). When cash is discovered by the Fiscal Police at borders, pursuant to Legislative Decree No. 195/2008 an administrative sanction (fine) is imposed that corresponds to 40% of the total amount transported if the maximum allowed amount of €10,000 per person is breached. Since it is preferable to preserve the investigation activity, the alternative option is the so called “confiscation for equivalent” (ex Art. 322 ter c.c.). “At the final stage of the proceedings, if profits gained when committing predicate crimes are no longer available for confiscation, it is then possible to confiscate other assets of equivalent value” (IT-E6).<sup>15</sup> In the end, other criticalities are related to the level of development of both technological archives or registers (e.g. civil registry), that can facilitate the identification of individuals or telephone subscribers and to discrepancies among criminal legislations at the international level (IT-E22). “An agreement of cooperation might have been signed, but a specific criminal legislation exists in Italy on organised crime and related offences. In other states, it is likely that certain crimes are not included within the criminal codes” (IT-E15).

## 7. CONCLUSIONS AND RECOMMENDATIONS

Due to its geographical position Italy represents a key area for migration flows especially from north and west Africa through the central Mediterranean Sea, followed by eastern Europe and China as source countries. The available estimations about these arrivals, although not comprehensive, suggest that some migrants are trafficked from their countries of origin to be further exploited for sexual or labour purposes on the national territory of Italy, due also to the presence of more or less organised crime groups that are active in these criminal markets. In particular, trafficking for sexual exploitation is managed by Nigerian, Chinese, Albanian, and Romanian criminal entrepreneurs; while trafficking for labour exploitation is the domain of mainly east Europeans – Albanian, Romanian, Polish, Ukrainian, and Chinese criminal entrepreneurs. These actors share similar organisational characteristics: they are small in size (from 3-4 to 10-15 members) and based on family, ethnic and tribal bonds, while operating within large fluid networks of groups of individuals made of nodes present in the countries of origin and exploitation. Hubs for sexual exploitation are located in different Italian cities such as Turin, Milan (north), Naples, Castel Volturno and Palermo (south). Labour exploitation occurs mainly in the agricultural sector and in the province of Foggia – i.e. the

<sup>15</sup> When crimes are committed against minors under articles 600, 601 and 602 c.c. the confiscation of assets is envisaged and directly applied. If assets are not at disposal, at the final stage of the proceeding it is possible to apply the confiscation for equivalent.



area of Capitanata located in the region of Apulia. Collaborations among foreign OCGs exist, such as for example between Albanians and Romanians in sexual exploitation, and exchange of favours or services are requested if these actors operate in areas or territories under the control of Italian OCGs. The latter, in an almost monopolistic position, are involved in other criminal activities (e.g. drug trafficking, tobacco smuggling) considered to be more profitable and less risky.

Thus, foreign OCGs have not encountered particular barriers to enter these criminal markets in Italy, as it occurs in managing trafficking operations. Recruitment is facilitated by social capital in terms of networks of family members, friends or acquaintances, or by fake advertisements of job opportunities on the web and social media. The expenses for travel and documents (when needed) in most cases are sustained by the victims or their families, especially if labour exploitation is concerned. Even if OCGs advance this sum of money, including through sponsors that are in contact with them, the costs are much less than the profits gained. In the case of sexual exploitation, the amount of the debts of the victims imposed for their liberation is set completely arbitrarily and largely encompasses the costs incurred. Similarly, with regard to labour exploitation, the earnings of the gangmasters that illegally keep part of workers' daily salaries are significant. Profits are mainly used to run other trafficking operations, although in some cases can finance other criminal activities, as it happens with drug trafficking by Nigerian and Albanian criminal entrepreneurs. The revenues of trafficking in human beings are mainly reinvested in the countries of origin to acquire real estates, bars, restaurants, companies, and a small part is spent in Italy for living expenses or to sustain a lavish lifestyle. The methods employed to transfer the profits are similar to those used for the settlement of payments – paying the individuals involved in the trafficking operations and in the exploitation activities. In particular, cash transportation represents the most frequent way of payment, together with the use of money transfer services and informal banking systems such as the *hawala*.

All these methods still pose great challenges in terms of the capacity to interrupt the financing mechanisms of trafficking in human beings, and the results of the study suggest important steps forward to enhance the preventative and counteraction activity of law enforcement and prosecutors. First, there is the need to foster police and judicial cooperation, mainly with third countries, given the difficulty of applying the Italian legislative framework, which is considered comprehensive and capable to curb the power of these criminal organisations with respect to assets confiscation. Second, a related aspect is the necessity to harmonise the legislation on organised crime at the international level. Although cooperation agreements are in action, in practice gaps in legislations weaken their effectiveness. Third, more stringent controls or tailored judicial instruments are needed over money transfer services and cash transportation, which still represent the main vulnerabilities. Finally, while police officers and prosecutors have high level of qualified expertise, developed mainly on the field, to handle the various aspects of trafficking in human beings (e.g. the identification of victims



and indicators of trafficking, the protection of victims through the connection and cooperation with non-profit organisations delivering special programs), the prosecution of offenders is still challenging due to their different ethnical backgrounds. In this regard, the fight against this criminal market could benefit from the establishment of dedicated multicultural police units or magistrate pools at least at the regional level, and from enhancing, through a similar approach, the cooperation at the EU level.

## LIST OF INTERVIEWEES

Expert	Role and Institution	Area
IT-E1	Head of Flying Squad – State Police	Region of Trentino-Alto Adige
IT-E2	Prosecutor at Anti-Mafia District Directorate	Region of Trentino-Alto Adige
IT-E3	Head Foreign Organised Crime and Prostitution Unit – State Police	Region of Trentino-Alto Adige
IT-E4	Prosecutor at Anti-Mafia District Directorate	Region of Piedmont
IT-E5	Head of Flying Squad – State Police	Region of Piedmont
IT-E6	Head of Foreign Organised Crime and Prostitution Unit – State Police	Region of Piedmont
IT-E7	Head of Flying Squad – State Police	Region of Liguria
IT-E8	Professional, non-profit association Mimosa	Region of Veneto
IT-E9	Prosecutor at Anti-Mafia District Directorate	Region Emilia-Romagna
IT-E10	Head of Anti-Crime Unit – State Police	Region Emilia-Romagna
IT-E11	Professional No profit Association On The Road	Region Abruzzo
IT-E12	Head Flying Squad – State Police	Region Umbria
IT-E13	Agency of Monopolies	Region Latium
IT-E14	Officer at the Guardia di Finanza, Excise and Revenue Police – Group on Investigation of Organised Crime	Region Latium
IT-E15	Head of Central Operative Service (SCO) – State Police	Region Latium
IT-E16	Professional, non-profit association Terra!Onlus	Region Latium
IT-E17	Professional, Social Cooperative PARSEC	Region Latium
IT-E18	Prosecutor at Anti-Mafia District Directorate	Region Campania
IT-E19	Head Flying Squad – State Police	Region Calabria
IT-E20	Prosecutor (previously Anti-Mafia District Directorate)	Region Sicily
IT-E21	Prosecutor at Anti-Mafia District Directorate	Region Sicily
IT-E22	Officer Flying Squad – State Police	Region Sicily
IT-E23	Professional (ex-victim of labour exploitation), non-profit association NoCap	Region Sicily
IT-E24	Prosecutor (previously Anti-Mafia District Directorate)	Region Sicily
IT-E25	Freelance journalist	Region Lombardy

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# FINANCING OF TRAFFICKING IN HUMAN BEINGS IN THE NETHERLANDS<sup>1</sup>

In the Netherlands human trafficking became a matter of public and political importance in the 1990s, following international concern about the issue. When speaking of trafficking for sexual exploitation, however, civil concern and activism against trafficking in women already existed long before that, notably in the forms of a moral panic about “white slavery” at the turn of the 19<sup>th</sup> century (e.g. Doezema, 1999) and concern about Asian women coming to work in the Dutch sex industry in the 1970s and 1980s. The Foundation Action Group against Trafficking in Women (Stichting Actiegroep tegen Vrouwenhandel, abbreviated: STV) originated in 1987 and fought trafficking in women in the slipstream of the general movement for women’s emancipation.<sup>2</sup> In the 1990s, after the fall of the Berlin Wall, the Netherlands saw an increase in East European women working in the Dutch sex industry – a trend other west European countries witnessed as well. The Netherlands became the first country to legally differentiate between women who voluntarily worked in prostitution, and those being forced to do so. Several organisations pleaded in the 1990s for a national rapporteur on human trafficking, who eventually was appointed in 2000 following The Hague Declaration of the European Union in 1997.<sup>3</sup> In 2017, on its 30th anniversary, STV changed its name into CoMensha (Foundation Coordination Centre Human Trafficking) to express the broadened area of concern from trafficking in women for sexual exploitation to different kinds of trafficking in persons, affecting both men, women and children. At present, labour trafficking as well as trafficking for other purposes (e.g. organ harvesting) fall within the scope of the Coordination Centre, at least formally. We can, however, safely claim that trafficking for sexual exploitation, by far, draws most of the civil and law enforcement’s attention when compared to other forms of trafficking, such as labour exploitation.

Labour exploitation, as a manifestation of trafficking in human beings, only recently has received attention in the Netherlands. As late as 2005, labour exploitation was criminalised in the Dutch Criminal Code as a result of international legal obligations (Law of 9 December 2004, STB. 2004, 645). However, at that time it was not clear at all whether and, if so, to what extent labour exploitation posed an actual problem in the Dutch labour market (Parliamentary Paper II, 2003/04, 29291, 3; see also the research of Van der Leun & Vervoorn, 2004). Until then, the shadow side of the Dutch labour market mostly fell within the sphere of illegal work and workers, and connected fields of labour law and immigration

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<sup>2</sup> See: <http://www.comensha.nl/pagina/30jaar>, retrieved 08/02/2018.

<sup>3</sup> See: <https://www.nationaalrapporteur.nl/Over/geschiedenis/>, retrieved 08/02/2018.



law (Van der Leun, 2010). However, over the past decade, and especially in the past couple of years, the attention towards labour exploitation in the Netherlands increased considerably. This is illustrated, for example, by the fact that since 2014 it is one of the priorities of the Task Force on trafficking in human beings (THB) (see also section 1). Moreover, one of the priorities when the Netherlands held the Presidency of the Council of the European Union in 2016 was increasing EU efforts against THB for labour exploitation. In the same spirit, the Dutch Inspectorate for Social Affairs and Employment (ISZW) developed a new program to tackle labour exploitation in 2017 (see section 4 in this report). Also, efforts of NGO's such as FairWork in tackling THB in the Netherlands can be mentioned in this regard.<sup>4</sup>

In Dutch criminal law, multiple offences criminalise conduct that may fall under the definition of “trafficking in human beings” as adhered to in this report. One can think of specific provisions of labour law, immigration law, sexual offences, offences against the person or fraud offences. Yet the offence that is considered to be the core offence of THB and that is used to implement the most important international legal obligations on THB for the Netherlands, is laid down in article 273f of the Dutch Criminal Code (DCC).

Article 273f DCC is a very long and complex provision. Under influence of both various international legal obligations and national (policy) developments, mostly in the field of prostitution, the provision has come to encompass many paragraphs and subparagraphs that criminalise various forms and stages of human trafficking (Alink & Wiarda, 2010).<sup>5</sup> In short, article 273f DCC criminalises the actual trafficking in human beings and trafficking in minors with a view to exploitation – here the definition closely resembles the definition of THB in the Palermo Protocol – conduct close to the actual exploitation and the actual exploitation, profiting from the exploitation, and forcing or inducing profits from exploitation. Minors are especially protected in the provision at various points.

Exploitation – which is central to the various forms of THB laid down in article 273f DCC – includes, but is not limited to, the exploitation of another person in prostitution, other forms of sexual exploitation, forced or compulsory labour or services including mendicancy, slavery, slavery-like practices, servitude and exploitation of criminal activities. For the interpretation of these concepts, the international instruments that have influenced the development of article 273f DCC and case law, both at

<sup>4</sup> See: [https://www.fairwork.nu/wie\\_zijn\\_wij/](https://www.fairwork.nu/wie_zijn_wij/), retrieved 09/02/2018.

<sup>5</sup> These international legal obligations that have been of influence on the development and wording of article 273f DCC stem from, amongst others: International Convention for the Suppression of the White Slave Traffic Paris, 4 May 1910; International Convention for the Suppression of the Traffic in Women and Children Geneva, 30 September 1921; International Convention for the Suppression of the Traffic in Women of Full Age Geneva, 11 October 1933, The Convention to Suppress the Slave Trade and Slavery 1926; the Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime (the Palermo Protocol); the Council of Europe Convention on Action against Trafficking in Human Beings; the Council Framework Decision 2002/629/JHA of 19 July 2002 on combating trafficking in human beings; Directive 2011/36/EU of the European Parliament and of the Council of 5 April 2011 on preventing and combating trafficking in human beings and protecting its victims, and replacing Council Framework Decision 2002/629/JHA.

the national and at the international level, are important.<sup>6</sup> Yet, article 273f DCC is broader and covers more forms of exploitation.<sup>7</sup> In order to determine whether there is a situation of exploitation, case law shows that various factors that may point to exploitation should be weighed.<sup>8</sup> An analysis of both national and international case law shows that these factors include: the type of the work, the duration, the working conditions and, if applicable, also the housing conditions, the restrictions that follow from the work, the received income, the economic profit for the offender, the age of the victim, and the level of involuntariness and unavoidability. Dutch standards function as the benchmark in weighing all these factors. For example, one could take the Dutch legal minimum wage into account (for the analysis, see Schaap, 2017). The upshot of this is that, for example, in case a woman used to work voluntarily in prostitution while retaining some freedom of movement, the situation can still be regarded as exploitative if other circumstances (e.g. the use of force in combination with giving up her income) tip the scales to exploitation.

At this point, it is important to note that article 273f DCC carries the label “trafficking in human beings,” but is based on a broad conception of trafficking of human beings that includes but is broader than the definition of THB provided by the Palermo Protocol. Moreover, the legislative work on human trafficking allows for a broader criminal protection than the Netherlands is legally obliged to implement following all international instruments on THB the Netherlands is bound by (Alink & Wiarda, 2010: 214), as is illustrated by the definition of exploitation as set out above. Yet, this is also the consequence of the conduct that is criminalised under article 273f DCC such as the *profiting* from the exploitation laid down in subsection 6 which brings people normally operating in the background of the exploitation within the reach of the criminal law. This subsection has a purely national origin (See Parliamentary Papers II 1996/97, 25437, 3, 9). Since article 273f DCC is at the core of the criminal prosecutions in the Netherlands, the conduct criminalised in the provision as such is reflected in our collected data.<sup>9</sup> Yet, in this regard it must be noted that in case law, even though the Dutch Supreme Court has provided more guidance over the past couple of years, article 273f DCC is not always interpreted in a consistent manner nor is the guidance of the Supreme Court applied in a consistent manner in lower case law (Van der Leun 2013; Nationaal Rapporteur 2017. In the context of labour exploitation see also Schaap, 2017, chapter 5).

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<sup>6</sup> A more detailed discussion of all these forms of exploitation goes beyond the scope of this contribution. For now, it suffices to know that their meaning can be obtained by considering for example the case law and guidance of the ECtHR on art. 4 of the ECHR, which lays down the prohibition of slavery and forced labour.

<sup>7</sup> As is apparent from the text article 273f (2) DCC. See A-G Knigge in his conclusion of Supreme Court 27 October 2009, ECLI:NL:HR:2009:BI7099.

<sup>8</sup> Supreme Court 27 October 2009, ECLI:NL:HR:2009:BI7099; See also Supreme Court 24 November 2015, ECLI:NL:HR:2015:3309 with regard to weighing these factors in case a minor is involved.

<sup>9</sup> This research focused, as made clear later in this section (under the heading *Data Collection*), on human trafficking for sexual and labour exploitation. We framed these two offences conform the National Rapporteur, who differentiates exploitation within the sex industry and exploitation outside of the sex industry – the latter consisting of the modalities labour exploitation, forced services and exploitation of criminal activities. Our research, besides sexual exploitation mainly focused on labour exploitation, although the dividing line between the two may often be vague.

Neither prostitution nor the profiting from prostitution are illegal in the Netherlands. Since the lifting of the ban on brothels in 2000 one can legally run a prostitution business, provided that one has a licence and complies with the rules implied in it. Nevertheless, the “criminogenic” character of the sex industry has been emphasised in media and political discourse since the end of the last decennium. More repressive local measures towards (visible) prostitution have been observed ever since. Self-help organisations for sex workers, health-related NGO’s, and critical academic scholars claim that the increasingly repressive measures and the equation of sex work with human trafficking are the result of a Dutch moral panic on, firstly, the phenomenon of the so called “lover-boys” (e.g. Bovenkerk et al., 2006; Outshoorn, 2012), and secondly on human trafficking.<sup>10</sup> The latter started with two large, international trafficking “signal crimes” (Innes, 2014) called the “Sneep” and the “Koolvis” cases (respectively in 2008 and 2009).<sup>11</sup> Since 2009, the Dutch government has been debating a new law on prostitution (“Law regulating prostitution and suppressing abuse in the sex industry”), which should address this supposed criminogenic character. It imposes stricter regulation of prostitution, for instance through an obligation for sex workers to register with local authorities and the lifting of the legal age to work in the sex industry from 18 to 21. It also investigates the possibility to make the client of prostitution punishable by law, if he would have reasonable grounds to be aware that the sex worker is a victim of trafficking.<sup>12</sup>

This particular framing of the sex industry as directly intertwined with human trafficking and exploitation has caused a sharp turn away from a tolerant approach towards, and progressive legalisation of prostitution, to “adopting a strict regulation of all prostitution” (Outshoorn, 2012: 233) in the Netherlands. This is most to the discontent of sex worker organisations, which claim that stricter policies will encourage sex workers to go underground, thereby making incidences of exploitation ever less visible (Oude Breuil & Siegel, 2012; Gibly, 2012).

#### *Data collection*

For this report three research methods were combined: desk research on relevant academic studies and policy papers; semi-structured interviews with law enforcement, governmental and non-governmental organisations and other stakeholders related to THB; and file analysis of police and court cases.

In total, 11 interviews with a total number of 17 experts were conducted.<sup>13</sup> Most interviews were face-to-face and semi-structured. Three interviews

<sup>10</sup> See Siegel, 2015 or Oude Breuil & Siegel, 2012 for the Netherlands or Weitzer, 2007 for an international perspective on the moral panic on human trafficking for sexual exploitation.

<sup>11</sup> See on the Sneep case: [https://ec.europa.eu/anti-trafficking/legislation-and-case-law-case-law/sneep-case\\_en](https://ec.europa.eu/anti-trafficking/legislation-and-case-law-case-law/sneep-case_en), and on the Koolvis case: [https://ec.europa.eu/anti-trafficking/legislation-and-case-law-case-law/koolvis-case\\_en](https://ec.europa.eu/anti-trafficking/legislation-and-case-law-case-law/koolvis-case_en), retrieved 08/02/2018.

<sup>12</sup> We see an anticipation of the eventual adoption of this law already reflected in the so-called Valkenburg vice case (Valkenburgse zedenzaak) tried in 2016, which manifested a strong emphasis on the prosecution of over 30 clients of a 16-year-old trafficking victim. See: <https://www.om.nl/onderwerpen/valkenburgse/>, retrieved 08/02/2018.

<sup>13</sup> The sources have been coded in order to preserve their anonymity. The first two letters of the code indicate the country, “E” indicates an expert. The description of the background of the individual sources referenced can be found in the list of interviewees in the references section.

were held by telephone, due to time constraints on both the respondents' and the researchers' side, and were, where necessary, followed up by email-correspondence. The interviews were transcribed and analysed by the Dutch country research team. This shared analysis ensured researcher triangulation, which enhances the validity of the project findings.

Besides the desk-research and interviews 14 (confidential) cases of THB for sexual exploitation were examined, next to 11 publicly available court reports on THB for labour exploitation.<sup>14</sup> The 14 cases of sexual exploitation cannot be generalised, as they have a regional bias, due to the fact that we could only access these particular files. However, we chose as diverse set of cases as possible in terms of the following variables: size of the trafficking network; domestic/foreign case; number of perpetrators/victims; modus operandi et cetera, in order to prevent a selection bias in those respects. Initially a large sample of 33 court files of sexual exploitation that happened within the Region Middle Netherlands in the last 5 years were screened and 11 cases were selected for content analysis. The last two cases (NL-CC13 and 14) were related, in the sense that the same victims appeared in them, although the traffickers did not seem to be related. The 11 cases consisted of 19 files, meaning that in some cases, multiple suspects, who were separately tried before court, were implied. Thus, by "case" we refer to an incidence of exploitation in a certain exploitative setting. The number of files per case does not say anything about the number of victims (one suspect could have one or more victims, just like two or more suspects can have, in theory, one or more victims). It does say something, however, about the *complexity* of the trafficking network: cases with more files are generally concerning larger networks of greater complexity. Next to the 11 court cases of the Region Middle Netherlands (NL-CC4 to CC14), we added another 3 confidential cases of our police respondents (NL-PC1 to PC3). For reasons of anonymity we cannot elaborate on the concerned region.

The files on sexual exploitation (cases 1 to 14: PC1 to CC14 on sexual exploitation) were different in content and richness from the information in the court reports (CRP1 to CRP11 on labour exploitation), which is not surprising as the court and police files were confidential data for which we needed clearance, whereas the court reports were published and, therefore, publicly available.<sup>15</sup> The depth of the available information in both kinds of files, however, was not a problem in this research, as the files were not to be compared. THB for labour and sexual exploitation are two such different modalities that they needed to be analysed separately, anyway. The files were coded and analysed separately and will be separately treated in the report under each heading. See section 2 for an elaboration on the cases.

Using three different methods – desk-research, semi-structured interviewing and file analysis – ensured methodological and data triangulation, which enhances the validity in qualitative research.

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<sup>14</sup> The cases have been coded and are referred to in the text with their code; they are listed in the "List of studies cases" table in the references section.

<sup>15</sup> Available at [www.rechtspraak.nl](http://www.rechtspraak.nl)

## 1. MARKET OVERVIEW

The Netherlands serves both as a destination and source country for human trafficking and is among the five countries of western Europe recording the highest number of trafficking victims (Shelley, 2014). Human trafficking is classified along two main axes by authorities like the National Rapporteur on human trafficking (*Nationaal Rapporteur Mensenhandel en Seksueel Geweld tegen Kinderen*): sexual versus non-sexual exploitation on the one hand, and domestic versus cross-border forms of human trafficking on the other hand. This results in a distinction of four types of human trafficking. **Domestic sexual exploitation** oftentimes concerns exploitation via the so-called lover-boy method, in which young males feign a love relationship to make (often minor, Dutch) girls dependent on them and drag them into sexual exploitation. Secondly, in **cross-border sexual exploitation** foreigners, foremost women from east European countries like Hungary, Bulgaria and Romania, or west African women are victimised by criminal groups that have a certain level of organisation. They are legally or illegally transferred to the Netherlands and put to work in the sex industry. Sexual exploitation in the twenty-first century is oftentimes facilitated by the Internet; likewise, political and law enforcement awareness about digital forms of sexual exploitation is increasing and must be further addressed (Nationaal Rapporteur 2017a). The third and fourth type of THB distinguished are **domestic and cross-border exploitation outside the sex industry**. Labour exploitation spans both categories.

Foreign victims of labour exploitation are typically from east European countries and Asia. Based on the statistics of the National Rapporteur, the sectors in which labour exploitation occurs the most seem to be constantly changing. This, however, is probably caused by the impact of the detection and prosecution of large cases on the statistics. Typical risk sectors include agriculture, forestry, the catering industry and housework including au pairs. Considering the predominance of law enforcing institutions' attention to exploitation within the sex-industry (Bos et al., 2016; Heemskeerck & Rijken, 2011, Smit, 2011), we can safely assume that the number of labour exploitation cases hides a considerable dark figure. In view of the migration and refugee inflows and deregulation of the labour markets, labour exploitation is, according to a study conducted by the ISZW, expected to increase in the upcoming years (Inspectie SZW 2017). Between 2011 and 2015, 41 investigations on labour exploitation were conducted by the Inspectorate SZW. Seventeen investigations were completed in 2016 (Inspectie SZW 2017).

Victims of human trafficking are registered at the Coordination Centre for Human Trafficking (*Coördinatiecentrum Mensenhandel*, hereafter: CoMensha); their numbers concern notifications of *possible* victims of human trafficking. CoMensha is responsible for the national reporting, registration and coordination of human trafficking victims known to different authorities or persons. The number of registered victims is declining in the last years, from 1.287 in 2012 to 952 registered victims in



2016.<sup>16</sup> In the period between 2012 and 2016, about 60% of registered victims belong to the first two categories of human trafficking, pertaining to *sexual* exploitation. Sex trafficking is therefore, according to registries at CoMensha, more prevalent in the Netherlands than exploitation outside the sex industry. The group of sexually exploited victims comprises 43.9% Dutch nationals in 2016; compared to 56.1% foreigners.

In total, 61.3% of all registered victims of human trafficking at CoMensha in 2016 are foreigners. Cross-border exploitation outside the sex industry is superior in numbers to domestic exploitation outside the sex industry (90.1% of victims outside the sex industry were foreigners in period between 2012 and 2016). Of the 244 registered victims outside the sex industry, labour exploitation counts for 82.5%. The rest percentage concerns other forms of exploitation (such as organ trafficking or the exploitation of criminal activities of minors). The group of victims outside the sex industry, in contrast to victims of sexual exploitation, is comprising equally of men and women.

The national report on human trafficking points out that the assessed number of victims of human trafficking is very high. The National Rapporteur recently published, for the first time, an *estimation* of the total amount of victims besides their usual numbers on *registered* victims of human trafficking. It is estimated that annually between 5,000 and 7,500 persons become victims of human trafficking in the Netherlands (Nationaal Rapporteur, 2017a). On average, one can therefore speak of 6,250 human trafficking victims each year. The number of registered victims at CoMensha is thus, supposedly, about six times smaller than the estimated total number, which implies a high dark number of victims. Estimations are based on the method of MSE (multiple systems estimation), which allows for estimations of the number of victims that do not appear in official databases based on how registered victims are distributed across various registries (e.g. police, Ministry of Social Affairs and Employment, care institutions and regional coordinators for human trafficking). The MSE-estimation combines numbers of registered victims of human trafficking in a 6-year period. Considering the fact that generally more public and law enforcement attention is paid to sexual exploitation than to labour exploitation (or other forms of human trafficking, such as organ trade), we can safely assume that not all forms of human trafficking have the same dark number. Thus, the estimates should be read with caution, or even scepticism.

According to the National Rapporteur (2017b) an increasing proportion of human trafficking remains out of sight due to shifts in enforcement priorities and a growing lack in expertise and capacity of responsible authorities. The number of registered cases at the Public Prosecution Service (*Openbaar Ministerie*, hereafter: PPS) serves as another indicator of this negative trend. Whereas in 2014, 282 cases were registered, this number decreased by 22% to 220 cases in 2016 of which in 103 cases a sentence was passed. Additionally, 30% of cases were dropped due to insufficient

<sup>16</sup> Both numbers do not consider victims exclusively reported by KMar who, since the judgment of the Supreme Court of 17 May 2016, belong to the group of sub-3 cases without exploitation (e.g. cross-border prostitution) and can no longer be regarded as THB.



evidence in 2015 (Nationaal Rapporteur, 2017a). The developments say little or nothing about the extent of or trends in the phenomenon itself as they might correlate with, for instance, investigative capacity and prioritisation. The dwindling of case numbers, the drop of the conviction rate and the average duration of imposed unconditional custodial sentences might also indicate that the criminal justice system conveys a too broad or vague concept of human trafficking (van Kempen, 2017: 2).

An increase in the available budget in 2017 and 2018 should, according to the National Rapporteur (Nationaal Rapporteur, 2017a: 16) strengthen and intensify the tackling of human trafficking<sup>17</sup> and the (upcoming) new law on prostitution (“Law regulating prostitution and suppressing abuse in the sex industry”) should further help combat human trafficking and organised crime within the Dutch sex industry, it is claimed, as it would allow for stricter regulation of prostitution (see Introduction). The firm belief, however, that these measures will lead to an increased control over abusive conditions in the Dutch sex industry is refuted by self-help organisations and critical scholars, who consider further stigmatisation and criminalisation of the sex industry as a deterioration of labour conditions and transparency in the industry.

Since the lifting of the ban on brothels in 2000, legal prostitution in the Netherlands has comprised of licensed companies, like window prostitution, sex clubs or escort companies on the one hand, and non-licensed companies or independent prostitutes in municipalities with no licence obligation, on the other hand (Daalder, 2007; Nationaal Rapporteur, 2017b; Outshoorn, 2012). Paradoxically, prostitution at private, indoor locations, as one of the most invisible forms of prostitution, has been and remains the most common form of sexual exploitation in the latest human trafficking report (41% of 1.383 registered victims of sexual exploitation between 2012 – 2016 in which the specific sector of prostitution is known; Nationaal Rapporteur, 2017a). This argument further bolsters the plea for a new prostitution law, which also aims to put escort services under stricter regulation. However, the increase might very well have to do precisely with the more repressive stance on prostitution, as the current diminishing of legal and visible places to do sex work (e.g. legal window prostitution areas have been closed in parts of The Hague, Amsterdam, Utrecht and several smaller cities in the Netherlands, see: Siegel, 2015) could have urged sex workers to switch to less visible and less regulated settings. The result is a market of a few legal (licensed and non-licensed, if a licence is not necessary) and monitored sex industries, and a supposedly numerically bigger share of illegal or criminal sex enterprises. Another remarkable trend, according to the public prosecuting office and an NGO that assists individuals confronted with domestic, sexual and honour-based violence, is the growing involvement of very young girls in prostitution, sometimes as young as 11 years old. The NGO employee, quoted from a national news website, attributes this growth to the importance of internet and social media, which make it easier to recruit girls for prostitution (NOS 2018).

<sup>17</sup> Bos, Loyens, Nagy and Oude Breuil (2016) similarly claim that in the case of trafficking in minors for exploitation of criminal activities, the expertise and capacities are lacking to properly identify and treat such cases.

The Netherlands has an “integrated approach” of combatting human trafficking, referring to a focus on prevention, protection, repression and cooperation of different government and non-government organisations in human trafficking policy (Harbers 28/11/2017), including administrative enforcement, but with criminal prosecution as a keystone (Alink & Wiarda, 2010). In the context of this integrated approach, there seems to be an informal division of tasks, according to which the Dutch police sees criminal prosecution of traffickers as their main goal, leaving the protection of victims mainly to civil organisations and NGOs (Oude Breuil et al., 2011: 37). With the Task Force Human Trafficking (*Task Force Aanpak Mensenhandel*), a collaboration of different parties involved in combating human trafficking was introduced in 2008 (Heemskeerck & Rijken, 2011; Nationaal Rapporteur, 2017a). In the Task Force, each party has its own responsibilities when it comes to tackling human trafficking and/or supporting victims. This division of tasks carries the risk of confusing victims and other involved parties as to which partner organisation they should turn to. Moreover, it implies a risk of undiscovered cases if cooperation between involved parties is ineffective and indications for human trafficking are not recognised (Nationaal Rapporteur, 2017a). The “barrier model” is (still) the leading policy approach in combatting human trafficking in the Netherlands. In this approach, based on situational prevention theory, different institutions (such as the tax authority, municipalities, police, chamber of commerce, housing corporations, et cetera) work together to “mount barriers” with the purpose of disrupting the human trafficking business process.

## 2. MARKET STRUCTURE AND SOCIAL ORGANISATION OF TRAFFICKING NETWORKS

With regard to **labour exploitation**, the present research (interviews and file research) revealed two prevalent forms in the Netherlands. Firstly, organised labour exploitation in companies in which temporary employment agencies are often (but not necessarily) a facilitating player. Characteristic of this type of labour exploitation is the involvement of multiple victims, mainly from eastern Europe or Turkey. Secondly, there is one-on-one labour exploitation in cases of au pairs or smaller businesses like restaurants. According to our respondents (NL-E8, NL-E13), organised labour exploitation is more prevalent in the Netherlands. However, cases of exploiting au pairs are increasing or becoming more visible in recent years (NL-E14).

Both types of labour exploitation can often be regarded as **family businesses**, as suspects of labour exploitation usually operate with their spouse, siblings or within their extended family (NL-E8, NL-E13, NL-E14). Another remarkable characteristic is the exploitation of fellow countrymen. Labour exploitation can thus be characterised as an **intra-ethnic phenomenon**. In the case of the exploitation of au pairs, this would mean that for instance a Brazilian woman living in the Netherlands organises young women to migrate from Brazil to the Netherlands for

housekeeping jobs (NL- CRP6). According to FairWork and the Inspectorate SZW (NL-E8, NL-E13), exploiters are either own family members or acquaintances in cases of one-on-one labour exploitation or “dubious temporary employment agencies” (NL-E9, NL-E14) in the case of organised labour exploitation. Additionally, labour migrants are oftentimes put to work behind the scene or closed doors (cleaning, cooking, au pair) or out of public view (seasonal workers).

The recruitment *modus operandi* can often be described as an **“all-inclusive” package** with which recruits are approached. In these all-inclusive packages transport from the country of origin, work place and accommodation in the Netherlands as well as transport from housing to the work place are arranged by the exploiting parties or accomplices. They create a situation of total isolation, dependency, and control. In the case of a Chinese restaurant, the victim was accommodated in a room above the restaurant, which was secured and controlled by an alarm system that was activated at night, to which the victim did not know the code. Consequently, the victim was effectively restricted in his freedom of movement (NL-CRP7).

Travel to the Netherlands is arranged in some cases. In other cases, workers arrange and pay for the travel themselves. The funds required for the travel are oftentimes either borrowed from relatives or future employers (NL-E13). The travel sum may then be used as *raison d'être* for a form of bonded labour. Accordingly, the migrant workers are in a stringent debt relationship with their exploiters. Debts are paid off gradually through later job earnings. Although such a system might give the impression that migrant workers are not necessarily forced to enter “fortress Europe” to work under hazardous conditions (Andrees, 2008), some form of coercion, or profiting from someone’s (financially instable and therefore) vulnerable position, is employed at this stage, and is further induced by false promises. Moreover, the **line between poor working conditions and labour exploitation is often blurry** (Hiah & Staring, 2013; Van Ellemeet, 2007), which can partly explain our finding that victims and suspects do not always identify themselves as such (NL-E13). That is, they legitimise the act of exploitation through culturally shared expectations on working conditions (Hiah & Staring, 2013).

**Temporary employment agencies** either operate in workers’ countries of origin or, recently becoming more prevalent, the Netherlands (NL-E8). In the first case, they advertise for better work in the Netherlands and profit from more deprived working conditions and lower salaries in the country of origin. Labour migrants are easy targets due to their limited proficiency in the Dutch language, their lack of knowledge of Dutch laws and rights, their limited access to the legal labour market and therefore – when illegally working – a lack of alternatives and a general fear of authorities (Van Ellemeet, 2007). The focus of employment agencies is usually on seasonal work, the Inspectorate for Social Affairs and Employment (NL-E13) points out. If work is provided through temporary employment agencies, usually two parties are involved: the agency itself and a hiring company. In that case, exploitation can take place on both ends,

meaning that the temporary employment agency as well as the hiring company profit by extracting money from the migrants. The interviews (NL-E14) have shown that the lines between the two companies can be blurred to the extent that one party is involved rather than two, as both the agency and hiring company might be owned by one and the same person. Family businesses which cooperate are another possibility. In these constructions, different family members own different businesses involved in the commission of labour exploitation (e.g. NL-CRP5).

With regard to human trafficking for **sexual exploitation**, based on the studied cases (NL-PC1 to NL-CC14) we can conclude that it is elucidating to categorise the encountered “business models” in **four main categories** or typologies.

The first category concerns **domestic human trafficking cases**, in which there is generally **no international component, nor an extended, organised trafficking network**. The pimps are Dutch young men – according to some respondents (e.g. NL-E14; NL-E1, 2, 3, 5 & 6; see also: Verwijs et al 2011) often with a migrant background – who have only one or a limited number of girls working for them. Although the pimp might have friends who are also into pimping, they are generally not part of an organised trafficking ring or network, in the sense that no sophisticated distribution of tasks exists. The modus operandi is known in the Netherlands as the **lover-boy method**. This refers to the strategy of grooming and socially isolating the victim, so that she falls in love and becomes emotionally dependent on the pimp (Verwijs et al 2011). Victims are generally Dutch girls who are of minor age when the grooming begins. They are often easy targets, namely girls who have limited intellectual abilities or mild psychological disorders (e.g. NL-CC8, and this also came forward in several of the expert interviews), grew up with dysfunctional family relations, were interned at youth institutions (see also: Verwijs et al 2011) or have low self-esteem. The pimp will specifically target such girls, making them believe that “love” is mutual. Through a narrative of him being indebted to a friend, which can be settled if she has sex with the friend, she will be drawn into sexual exploitation in the confined space of an apartment. Having sex with the pimp’s friends will become a more regular activity she is convinced or coerced into. This evolves into her having multiple clients outside of the pimp’s social network (still in a private apartment, or in a hotel room) and eventually ends up in a window prostitution area upon becoming 18 years old. Cases NL-CC5, 8, 9, 10, 13 and 14 could be typified as domestic cases with such lover-boy modus, and without an extensive criminal network, although these cases differ in their number of victims per case – from one victim (NL-CC8) to two (NL-CC9 and 10) and three (NL-CC5). Moreover, in one of these cases (NL-CC13&14) two pimps seemingly worked together as their respective victims overlapped and claimed to be working for three pimps of the same ethnic background. Although this might point towards a more organised form of domestic trafficking, we still classify it in the first category; there was no international component, the degree of organisation seemed to be still relatively low and the modus operandi clearly matched the other cases in this category.

The second type are run by **Dutch perpetrators** as well, but they exhibit a **larger degree of organisation** and, moreover, often have an international component in the sense that (some of) the traffickers' **victims are coming from abroad**. The trafficker or pimp, who has Dutch nationality or has a stable residence permit in the Netherlands, **employs third parties** to facilitate part of the work. He might, thus, outsource tasks such as: a) recruiting girls<sup>18</sup> in (generally) eastern Europe; b) transporting girls to the Netherlands; c) assisting the girl – once in the Netherlands – to acquire a tax number, inscribe at the Chamber of Commerce or a housing corporation, or rent a window; d) offering one's home address as postal address; e) driving the girl to the (window) prostitution area; f) other small services, such as buying condoms and lubricants, et cetera. The victims in these cases are Dutch girls, girls from eastern Europe, Greece or another EU country that is linked, for example, to the migratory roots of the perpetrator. Case NL-CC4 (and see also NL-CC6 and 11) is an example of this type: two men who appear to be friends and know each other's victims, and who have overlapping acquaintances who are in the pimping business as well, exploit two (possibly three) women in one and the same prostitution area in a Dutch town. From their court files it becomes clear that they probably both run their own businesses, but do spend time together, giving each other advice and going to brothels together. Both of them employ third parties to facilitate their businesses and some of these third parties even overlap. By way of illustration, one exploiter demands a female sex worker to assist his newly recruited girl in renting a window and other administrative tasks in return for a small fee. Likewise, the exploiter maintains professional relationships both with a recruiter in another European country and with a Dutch taxi driver who brings the girl to the prostitution area. The other exploiter, in his turn, pays someone to offer his postal address to the girl, et cetera. The lover-boy tactic might initially play a role here as well – in the sense of making the girl fall in love, as well as isolating her by taking her identity papers, smashing laptops, mobile phones, et cetera – but the women are generally older and more experienced than in the above type case, and consequently show more resilience and initiative. Interesting in this regard is that we found examples of online recruitment (e.g. NL-CC4). The means of coercion may include severe violence, or the threat of violence (e.g. "Wherever you go, I will find you and I will kill you," NL-CC4) but can also involve subtler modes of persuasion, for instance through pointing out the opportunity to earn a lot of money and applying some form of debt bondage (i.e. she is told that she owes him money for the travel, rent, et cetera). There are also examples of victims with a religious or conservative background being forced by the threat of exposure (e.g. by pictures taken, NL-E5, 6). The means of coercion show an important difference with the next type of trafficking for sexual purposes: threats of violence are in the above type generally limited to the victim herself (as that is the only person within easy reach of the Dutch pimp), whereas in the following category, they may extend to family members in east European home countries.

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<sup>18</sup> In the cases studied, only girls figured as victims. Also in the larger sample of 33 cases we have not come across a case in which the victim was a man/boy.



In the third category we find cases in which **both victims and pimps or perpetrators come from abroad**, mainly eastern Europe – particularly Hungary, Romania and Bulgaria (e.g. NL-E1, 2, 3, 5, 6 and NL-E14). The prostitution business they run is generally a **family business** (as we already claimed in section 1 of this report) and some respondents (e.g. NL-E14) mentioned the Roma origin of some of these families. Case NL-CC12 is a clear example of this, as both the pimp and his victim are of Romanian origin. Information from the police surveillance (namely telephone taps) clearly shows that the pimp's family members in Romania are involved in the business, as the mother regularly calls to discuss how business goes, and the father sends new girls to the pimp, who stays in the Netherlands. The interviewed lawyer, NL-E14, also comments on this type of trafficking:

"It is often a family. Father and son, uncle and who-knows-whom. Or they come from the same village, are neighbours and the brother of the one is married to the sister of the other, that kind of cross-connections. Brothers-in-law... yes, family relations. (...) [Sometimes the victim has been] the girlfriend of one of them and there is also a child. And the child then stays with the mother of one of her pimps. Awful constructions which make it very difficult to press charges. (...) A couple of women in this situation do not see their children anymore."

The trafficking network is generally quite flexible; when one of its members gets arrested, another family member (son, brother, nephew, son-in-law, NL-E14) will take over. There is some kind of hierarchy in the sense that the head of a family runs the business from the source country, but apart from that, the network is flexible and can easily adapt. Victims are oftentimes also part of the family as the wives or girlfriends of the pimps. Coercion strategies generally coincide with authority and gender structures in these families, or, if the victims are unrelated, with local perceptions of such families as powerful and dangerous.

The fourth and last category was mentioned to us in our interviews with the police and FIU-the Netherlands (NL-E1, 2 & 3, and NL-E11 & 12, see also: OM 2016; Van Reisen et al., 2012: 30-32), and consists of trafficking cases **related to migration routes from the African continent and the Middle East**.<sup>19</sup> (This might have to do with the fact that our files were from the Region Middle Netherlands. Cases related to refugee and migration routes might rather be found at regions next to the Dutch border or those which have an airport.) The above-mentioned migration and refugee flows coming from these regions (and our FIU-the Netherlands respondents, NL-E11 & 12 particularly mentioned Libya as an area where both smuggling and trafficking take place) produce a vulnerable population which consists of easy targets for traffickers and smugglers.

We have summarised the above-mentioned types or categories in Table 1. It should be taken into account that our case-study sample is not

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<sup>19</sup> We did not encounter such cases in the court files.



representative for the illegal market as a whole; after all, only a limited number of files could be studied, and they were all from one region in the Netherlands. Moreover, some cases might exhibit such organisational sophistication that they are less easily identified and investigated – such cases existing in the Netherlands are illustrated by the Sneep and Koolvis cases, for example (see footnote 11). Therefore, Table 1 should not be read as an extensive overview of all possible forms of trafficking organisations in the Netherlands, but, rather, as a categorisation of the cases studied in this research.

**TABLE 1. TYPOLOGY OF CASES OF HUMAN TRAFFICKING FOR SEXUAL EXPLOITATION STUDIED IN THIS RESEARCH**

Case type name	Trafficker Foreign/Domestic	Trafficked Foreign/Domestic	Family business?	Level of organisation	Outsourcing
Domestic lover-boy cases	D	D	No	Low; individual business	No, barely
Dutch/foreign organised cases	D	D&F	No	Employ one or more facilitators	Yes, one or more tasks
Foreign family businesses	F	F	Yes	Family network structure; everyone his/her own task; patriarch on top	Yes, several tasks within family
Foreign, migration-related cases	F	F	?	Network structure	Yes, flexible network with diverse partners

*Source: File research & interviews, Oude Breuil, Schaap & Merz, 2018.*

### 3. FINANCING AND FINANCIAL MANAGEMENT

#### 3.1. Source of capital for initiating/sustaining criminal operations. Access to capital in critical moments

Sources of capital for initiating operations of **labour exploitation** are limited as workers are often put to work in the exploiters’ own company, which can be seen as a vehicle for recruitment. Payments to arrange travel, first residence and work, which go as “brokerage fees,” are used as starting capital. This implies that no further investments are needed. In the case of several exploited Hungarian workers (NL-CRP5), victims had to pay a €270 brokerage fee in advance, followed by €60 weekly for accommodation in housing provided by the exploiters. Job trainings are commonly used to finance labour exploitation activities among temporary

employment agencies (NL-E8). During periods of job trainings, workers are put to work for a certain period of time either without receiving any payment, being forced to pay for the trainings in advance or having to pay back ostensible costs at a later point in time.

As far as human trafficking for **sexual exploitation** is concerned, the afore-mentioned difference between domestic sexual exploitation through the lover-boy method, on the one hand, and domestic and international sexual exploitation through more complex, international trafficking structures, on the other hand (see section 2) is reflected in the financial management of such forms of exploitation.

In domestic lover boy cases with a low level of organisation **no significant starting capital** was needed. Pimps did not have a particularly large financial base, and did not need any, as their girl(s) would, once recruited, be quickly put to work. As such, her first earnings would serve as (starting) capital for paying initial expenses such as lingerie. We could argue, though, that the pimps rely on their social capital or, more particularly, their **social skills** in order to start their businesses. According to Baron and Markman (2000: 106) “the nature of the entrepreneurs’ face-to-face interactions can strongly influence their success,” and they particularly highlight the importance of “the ability to **read other persons** accurately, to make a good first impression on them, and to **persuade or influence** them (ibid: 107, emphasis added by us).” In these trafficking cases, we have seen how the pimps targeted particular girls who would be susceptible to their recruitment style. In other words, the offenders were particularly good at reading their victims (NL-E14). They would then invest personal attention, time, and some money (presents) in making the girls, who would eventually engage in sex work for them socially, mentally and sometimes physically (e.g. drug addiction) dependent on them. Her falling in love with him can be seen as a result of good persuasion or influencing skills, and so can his ability to convince her to give him all, or the lion’s share of her earnings under the pretence that he would save that money for a shared apartment (NL-CC9), a nail studio for her (NL-CC9), a holiday, a car (NL-CC8) et cetera. A last resource that is possibly used as starting capital is **benefit fraud**. Some of our interviewees (NL-E1, 2, 3) revealed that young pimps abuse the so-called WAJONG benefit scheme. This is a benefit meant for young people with a chronic illness or handicap.

Access to capital – in general or in critical moments – for pimps of this organisation type is mainly acquired **through the girl(s) working for him**. The money earned by the girl might be used to secure a new place for prostitution or access to another venue (window, brothel, massage parlour, et cetera), but, considering the low organisation degree of the business, is more generally used for the costs of living of the pimp and the girl(s). In other words: **capital earned is most often spent**. If the pimp needs more money, he encourages the girl – at times very coercively and violently (see also section 3.2) – to work longer, take more clients, engage in sexual activities she dislikes (e.g. NL-CC5) or get a breast enlargement surgery and liposuction (NL-CC9). One of our expert respondents (NL-E13) came across some cases of sexual

exploitation, in which the pimp's lawyer in the lawsuit in which one of his girls testified, was paid with the money another girl working for him earned (in prostitution).

The picture is somewhat different for the more complex Dutch/foreign and international cases. In one of the cases in which the main part of the organisational network is located in the Netherlands (NL-CC4), we have come across an interesting way to acquire starting capital: **acquiring a loan from a(n) (insurance) bank** (e.g. a mortgage on an acquired house or apartment). In this case, the person convicted of human trafficking acquired a mortgage twice – one time on a false employment declaration – for a house that the trafficked person was later lodged in. Because of the limited size of our sample of court files, we cannot presume this practice to be a common strategy. However, the example does show that the world of sexual exploitation effectively uses the legal financial market for acquiring financial means. Apart from that, we can conclude from both the cases and interviews that traffickers might use **starting capital proceeding from other illegal businesses**, such as a hemp plantation (NL-CC4), selling ecstasy (NL-CC5), weapons trade (NL-E14) or scams (NL-E6). For sustaining the business, we have come across two more techniques (which also apply to the domestic, low-level organisation type mentioned above): one is what we would call **scamming the (naïve) client**, and the other the **artificially top-ranking the internet profiles of exploited girls**. As far as the first technique is concerned, respondents NL-E5 and NL-E6 mentioned cases in which clients would pay in advance for making several appointments with the girl in a row. After the first appointment, there is no next one and the client has lost his money. Another source of revenue encountered by these respondents is the client who pities the girl and wants to buy her free. He might then pay “several thousand” but the girl will (have to) continue working anyway. Secondly, when girls are advertised on “sex service websites” such as [www.kinky.nl](http://www.kinky.nl), it can be profitable for the business to have her profile appear first on the front-page of the website. This can be artificially achieved through calling her number a multitude of times, which pimps do in order to raise her status as a sex worker and her visibility on the internet (NL-E 5, 6; NL-CC5).

As far as the foreign family business category is concerned, we further observed that **social capital** is an important form of starting capital here, too. The East European pimp in case NL-CC12 could rely on his family members, who were aware of his work in the Netherlands and even seemed to play a “coaching” or steering role in it. When ‘his girl’ did not earn enough money, he was reassured by his mother on the telephone that his father would soon bring him another girl. Through family bonds, more girls could be recruited, who would bring in more money. More in general, the financial investigators we interviewed (e.g. NL-E1, 2, 3) commented that it was **extremely difficult to get insights into the capital** that such family business traffickers actually own, as – partly due to the extended family structures, within which many are involved in the business – it is hard to determine who owns what, and how that is related to the business. In that way, a trafficker can appear to have no income when his bank accounts in the source country are checked,

because his earnings or properties are hidden through inscribing them on the name of another family member.

### 3.2. Settlement of payments

In labour exploitation cases the traffickers have several means to acquire profit through employing legal or illegal migrant workers. We can categorise these in three revenue models, which are intricately related: i) **saving on salary costs**, thereby lowering the costs of production; ii) **paying few or no taxes**; iii) **other revenues directly extracted** from labour migrants. To start with the first, employers can reduce the costs of production to such an extent that their net profits augment by finding ways to realise more production against lower salary costs. Salaries are kept low in many different ways, for instance through a rewarding system based on piece rates instead of hour rates, by paying lower wages per hour to migrant workers compared to Dutch workers, by demanding long working days, by allowing little or no free days/hours, by ordering labourers to work weekends or overtime without paying extra and by pushing the legal possibilities of temporary or seasonal working conditions through unpaid periods of job training, spending minimal money on working conditions and fraudulently minimising the worked hours of employees. An example of the latter is the manipulation of time clocks in the Champignon case (NL-CRP10). Time clocks were used to track attendance of workers by recording their arrival and leave from work and manipulated in such ways that the time worked would appear as less than the actual working hours. Secondly, and related to paying low salaries, employers paid few or no taxes (NL-E13) as their social charges (*werkgeverslasten* in Dutch) remained low. Social charges, after all, are related to paid salary: if salary costs are lower, charges decrease with it.

Besides these two ways to *reduce costs* (i and ii) employers, in the third place, extract money in a *more direct way* from their employees (iii). One way is **rack-renting** (*huisjesmelkerij* in Dutch), meaning that employees are forced to **rent housing facilities** provided by the employers, for which the employees pay much more than the actual value of the facilities. Facilities are small, overcrowded and dirty. Water or electricity are not sufficiently provided and broken furniture is not repaired (NL-CRP4, NL-CRP5). A paradoxical means of exploitation related to this – which has been recognised by McGauran et al. (2016) as a form of labour exploitation – is **providing not enough work** to labour migrants. Back in their home countries, the workers signed a contract – the aforementioned all-inclusive package deal which covered travel, housing facilities, working contract – that included a certain number of working hours, which is necessary to be able to pay for all the expenses and have some residual earnings. If, consequently, the working hours are less than promised, but the expenses (e.g. housing and subsistence) remain the same, labour migrants find themselves in an unfortunate situation, and the employer ends up earning without spending any money. Subsequently, housing facilities become a revenue model for exploiters. According to McGauran et al. (2016), this should be interpreted as exploitation as well. We have, moreover, found examples in both file research and interviews (e.g.

NL-CRP3, NL-E8) of exploited labour migrants being forced to pay **fin**es for “infractions of the rules” (e.g. being late for work, making a phone call during working hours, accidentally damaging property, et cetera), or being forced to spend part of their earnings on **meals** provided by the employer (NL-CRP10), or in supermarkets owned by the employer. **Debt bondage** also recurs in our cases as a mechanism to profit from labour migrants. In this context, debts incurred by travel costs, fines, lack of work or outstanding rent of housing facilities are involved.

Another direct way to extract money from labour migrants is by having their **salary directly sent to the exploiter’s or a family member’s (of the exploiter) bank account**. Alternatively, they are in possession of the workers’ money cards and pin codes and therefore are directly in command of their earnings (e.g. NL-CRP5, NL-CRP7, NL-E8, NL-E9). In one case (NL-CRP5), a total of € 23,092 – in wages for Hungarian employees was paid in 2009 and 2010 by various temporary employment agencies on a bank account number of the exploiter. Furthermore, €19,030 of the amount was withdrawn by the exploiters via ATMs in the Netherlands and Hungary; an act which itself can be interpreted as “converting” the money. Profits emerging from accommodation are usually collected weekly. Labour migrants need to pay off their brokerage fees with their work. It is oftentimes completely unclear to the victims whether, and if so, to what extent their salary was set off against the debts that they had with the exploiters (NL-CRP5) as labour migrants have no insight in the administration. Blackmailing and threatening are commonly used strategies, either with or without use of physical violence, to ensure they get their money. In the case of illegal labour migrants, their illegality and fear of authorities is oftentimes used to keep workers quiet (Van Ellemeet 2007). Exploiters threaten to inform the police or, in the case of relatives being the victims, send them back to their country of origin.

As far as **sexual exploitation** is concerned, most pimps – irrespective of the category or type of sex trafficking (see section 2) – have **non-transparent, dynamic “agreements”** with the women working for them. For example, in case NL-CC4, the girl who came from a Central European country to the Netherlands for work – the pimp had paid her travel expenses – had been told that she could earn up to €1,000 or €2,000 a day as a sex worker in the red-light district of a Dutch town. She supposedly owed the pimp €3,000 for domiciling her on an address in the town and for the rent of the window. Until that sum of money would be paid off, she would first hand over all her earnings, then 70% of it, and once paid off, she would pay him 50% of her earnings, plus the rent of the apartment where she stayed when she was not working. Another girl in the same case (belonging to pimp number two in this case) agreed to paying half of the rent of their apartment, but she was informed that the rent was €1,400, whereas it was only €900. Generally, we can conclude that in most cases we came across victims did not precisely know how much they earned, spent, and handed over, or how large their debt to the trafficker was. This might very well be a conscious tactic of the trafficker: the less she knew about her earnings in relation to what he received, the better.



Another common strategy to make sure the girl would hand over the money was **constant close supervision and control**. To illustrate, the pimp would call or WhatsApp the girl constantly (in most of the cases studied), would ask her to take pictures of herself in the street where she was supposed to see a client (NL-CC5), or would watch her from the other side of the street (NL-CC12), in order to keep track of how much she was probably earning and whether that matched the money handed over. Some pimps **set a target** for the girl to earn every night, and she was not supposed to come home before the target was reached (NL-CC4, NL-CC5). Besides that, several forms of **threats and violence** were imposed upon the victims in order to make them comply with the rules and discipline them into handing over their money. To name but a few methods that appeared throughout the studied cases: threatening to hurt or kill the victim or her family, severe physical and sexual abuse, mental abuse (making the girl feel bad about herself if she does not earn a certain amount of money), damaging her property, in particular mobile phones, laptops, et cetera, in order to isolate her, taking away identity papers, having the girl place a tattoo with his name or initials on it, inventing fictive debts, et cetera.

### 3.3. Costs for doing business

As stated in section 3.2, **labour exploitation** cases are characterised by saving on salary costs, taxes and other revenues directly extracted from workers. Seeing that the operating expenses are nominal, the benefits usually outweigh the costs of doing business. Costs for **advertisements and recruiting** are minimal due to the widespread use of website, newspaper advertisements and social media in the Netherlands and abroad. Besides, labour migrants are often family members or acquaintances of the recruiter. Methods of recruitment are therefore largely based on intermediary contacts and word of mouth. As mentioned earlier, **housing** is oftentimes arranged via family members or other accomplices and labour migrants are accommodated under poor conditions. Although housing is a cost post for traffickers, at the same time, it functions as a basic revenue model.

Although companies run the risk of making costs due to investigations run by authorities – they may need to pay **finances** for providing insufficient labour conditions, or spend time and money on inventing and applying fraudulent administrative constructions – we also found a case of labour exploitation (NL- CRP3) in which the employers gave instructions to workers about what to say in case of visits by the Labour Inspectorate. In this particular case, the costs they would eventually face due to labour inspectorate controls were limited by training workers for such incidents, and limit the damage.

In the sexual exploitation cases studied, we have encountered the following possible costs. Of course, these depend on the degree of organisation of the trafficking network (or lack of it). First of all, there are **costs related to the recruitment** of the girls. In one-man trafficking activities, these might include buying the girl presents, costs for personal



image management (golden necklaces, rented cars, et cetera) and parties. Advertising the girl on the internet also can involve payments to webhosts and costs for photographs. In international trafficking businesses, recruitment might involve paying for **advertisements** on the internet and in local newspapers to attract girls to the job, or paying a third, local party to arrange for that.<sup>20</sup> Costs will also be involved for **transporting** the girl(s) to the Netherlands and **housing** her once arrived. When a girl comes from abroad, there are **administrative costs**, such as registering her in the municipality and on a fixed address. The pimp then has to **rent a window** (in window prostitution) or **pay for hotel rooms** or other locations to work along with paying **subsistence costs** and costs **related to the job** (such as for condoms, lubricants, lingerie et cetera). Next, **telephone costs** will be made in order to groom, control and supervise the girl(s). Depending on the size and “professionalism” of the business, traffickers might further need to **pay their facilitators**. For example, in NL-CC4 one of the traffickers paid a (sex worker) associate €300 for helping “his” girl acquire a window and informing her on the ins and outs of the job. The other trafficker, in the same case, paid €250 to a man who would go with the girl to the municipality to have her registered at his home address. From our sample of cases, but also from large national signal cases such as the Sneep case (see footnote 11), we know that costs might also be incurred through abortions, tattoos, breast implants et cetera. Last but not least, traffickers of foreign, family-business type of trafficking bear the expense of **transporting the money** back home (see next section).

Moreover, there are costs when getting caught. Table 2 mentions the amounts to be paid in the cases where a fine, or compensation to the victim(s) was imposed (as far as these came to the fore in the files studied).

TABLE 2. COMPENSATIONS TO VICTIMS IMPOSED ON TRAFFICKERS

Case	Total Sum	Material damage	Immaterial Damage	Amount per victim
NL-CC4	€17,100	12,100	5,000	(to 1 victim)*
NL-CC5	€15,453.32	Not indicated	Not indicated	Victim 1: €6,329 Victim 2: €7,564.40 Victim 3: €1,559.92
NL-CC6	€13,300	Not indicated	Not indicated	(to 1 victim)
NL-CC7	€2,609.42	€1,109.42	€1,500	(to 1 victim)
NL-CC8	€25,489.15	Not indicated	Not indicated	(to 1 victim)

<sup>20</sup> We have not come across the exact prices paid to these facilitators.

TABLE 2. COMPENSATIONS TO VICTIMS IMPOSED ON TRAFFICKERS (CONTINUED)

Case	Total Sum	Material damage	Immaterial Damage	Amount per victim
NL-CC9	€704,000	Not indicated	Not indicated	Victim 1: €515,000 Victim 2: €189,437
NL-CC10	€20,000	€10,000	€10,000	(to 1 victim)
NL-CC12	€3,090	Not indicated	Not indicated	(to 1 victim)

\* As explained in section 4, in the Netherlands the convicted does not pay the compensation directly to the victim, but to the Dutch state, which will pay the compensation to the victim.

Source: File research, Oude Breuil, Schaap & Merz 2018.

### 3.4. Profits and profit sharing

Profits in **labour exploitation** cases, and especially in those cases in which migrants are employed in the exploiter's legal business, are typically re-invested and laundered in the exploiter's business. In the case of the involvement of temporary employment agencies, profits can emerge on two ends: the temporary employment agency and the hiring company. In organised cases of labour exploitation involving cross-border exploitation, profits are (partly) transferred abroad (NL-E14).

In **sexual exploitation cases**, again, profit making, spending, and sharing depends on the type of trafficking organisation. The first type of domestic, low-organised, lover-boy technique trafficker is said by our respondents to mainly **spend the profits** on partying, expensive cars, watches, trademark clothing, gambling, drugs, et cetera, as exemplified in the responses of NL-E1 and NL-E3:

NL-E1: "The lover-boys? They spend it all. They do not have registered capital, no money on the bank, no property, no income. Sometimes they do have an alimony (...). They are really boasting about their money. So they spend a lot, and if they have some money, it is cash, hidden somewhere. (...) These lover-boys, they drive luxurious rented cars, they spend enormous amounts of money on that. (...) Yes, they spend on parties... it is really about bragging, the classic show-off. That's how they also impress the girls... with the money and that big car, golden necklace, nice watch."

NL-E3: "Yes, and they also like to shop in the PC Hooftstreet: clothes, coats and Louis Vuitton toiletry bags, I encountered."

NL-E1: "Yes, coats and jeans of €800."

NL-E3: "[Calvin] Klein pants..."

From the above quotation we could also conclude that profits are, rather, **invested in image and reputation**.

Dutch/foreign trafficking networks with a higher degree of organisation rather invest their profits in **property**: houses (e.g. NL-CC4: one of the offenders owned two houses), a boat (e.g. NL-CC11) and cars (NL-E6, NL-E14). That is to say, it can be proven that they own this property and considering their earnings in prostitution it can be safely assumed that they either got the property with the exploitation money or *sustain* it with this money.

As far as the foreign, family businesses are concerned, profits are **invested in the country of origin**. Revenues are usually **laundered** via real estate (shops and shopping centres, holiday parks, hotels – NL-E13) or luxury goods like expensive cars (NL-E5). According to NL-E2 and NL-E3 some Bulgarian traffickers showed similar patterns of spending as Dutch domestic lover-boy traffickers: gambling, boasting at parties, nice cars, anabolic-steroids and impressing new victims with these lifestyles. Besides, the money might be saved, not so much on a bank account but through **underground banking systems** that are ethnically organised (NL-E13).

In the international cases, money earned would be **sent abroad** to family members “back home” via **money transfer offices**, such as GWK or Western Union. The amounts transferred would be low enough so as not to attract the attention of financial intelligence units.<sup>21</sup> Our respondents, however, commented that money transfers via Western Union are declining due to the traceability of transactions and an increase in investigations. **Cash couriers or “money mules,”** people who carry the money with them, have become the most prevalent form of transferring money. Mention is made of special minibuses that transport traffickers, victims, and money for a fee (NL-E5, NL-E10, NL-E14). Women might also carry the money with them on the plane or on the bus. We came across a peculiar case (NL-E1, 2, 3) of a man who made deposits up to €30,000 to send to an African country, only to pick it up himself in that country.

### 3.5. The role and impact of the internet on human trafficking activities and finances

In comparison with sexual exploitation, the internet seems to play a less central role in human trafficking activities for **labour exploitation** in the Netherlands as clues of online involvement are scarce. In one case of organised labour exploitation and trafficking (NL-CRP5), Hungarian workers were **recruited online via advertisements** on a Hungarian job placement website. The job offers in the Netherlands included various

<sup>21</sup> Since 1994, financial institutions in the Netherlands dealing with cash payments have had an objective notification obligation; every cash payment above a certain amount of money had to be notified to the Notification Point Unusual Transactions (*Meldpunt Ongebruikelijke Transacties*). Since 2005, there has been a general indicator that obliges financial institutions to subjectively notify other suspicious financial behaviour as well, such as: consistently staying (just) under the threshold for notification. In the Netherlands, we now have an objective indicator (which is, for banks, financial institutions, et cetera, €2,000), above which transactions should be notified to FIU-the Netherlands, and a subjective indicator, saying that if such institutions have a suspicion on a transaction, they are obliged to notify that (see Ministerie van Financiën January 2014).

promises and commitments for job-seekers like net hourly wages varying from €7,30 up to €9 or contracts for at least half a year with the possibility of a five-year contract.

In **sexual exploitation** cases, however, the internet and social media play an important role in three phases of the trafficking process. First, the internet plays a role in the **recruitment of women**, particularly in the case of international trafficking. Advertisements on the internet and in local newspapers were found to be used by domestic traffickers with international businesses in order to attract women to the job (NL-CC4). Secondly, internet and social media are crucial in **attracting clients** and making the girl (and her services) visible for a large public. Especially in the domestic, lover-boy-related cases, the pimp would make an internet profile of the girl, including explicit photos, on a client website such as [www.kinky.nl](http://www.kinky.nl). In order to make sure the girl's profile is on the top of the list of advertisements, pimps call in on her profile/number so many times that the advertisement ends up on top (NL-CC5). Moreover, social media are used for communication and are an important means to **control** strategies – WhatsApp is commonly used by the pimp or trafficker and his girl(s), both in its facility to send text messages, and in its facility to send pictures. In NL-CC5, the victim was forced to send pictures very regularly to prove that she was actually where she had told her pimp that she would be, or to show whether she really had the money she had promised. Social media was used in case NL-CC10 as a threat. The pimp threatened to release sex videos and nude pictures to family and friends of the victim, if she would refuse working for him. In the fourth place, social media and internet could function as an **exploitation modality** in itself, for example in cases where child pornography was produced (NL-CC6). The National Rapporteur exemplified this as well, in mentioning the Amersfoort case, which is unique in the Netherlands so far. In this case, a young woman stated that for thirteen months she had been forced by her trafficker to perform sexual acts for the webcam against payment. The entire exploitation took place digitally and the victim had no physical contact with customers (Nationaal Rapporteur, 2017a).

#### 4. FINANCIAL INVESTIGATIONS OF THB CRIMES: CHALLENGES AND GOOD PRACTICES

As a result of the Dutch integrated approach towards human trafficking, financial investigations on THB are not only conducted in the context of criminal investigations by investigative authorities such as the police, but some form of financial investigation may for example also be done by a public body at the administrative level (e.g. by municipalities), by financial intelligence services (such as FIU-the Netherlands), or by private bodies such as financial institutions (e.g. by banks), either at their own initiative or to fulfil legal obligations. Clearly, the financial investigations differ in approach and pursued results, depending on – amongst others – the aim of the investigation, the investigative authority concerned and the legal

and institutional framework the authority operates in. In this section, the main focus is on criminal financial investigations, yet two examples of other financial investigations on THB are also briefly discussed below.

#### *Criminal financial investigations*

In essence, three authorities are in charge of criminal investigations of THB in the Netherlands. These are the Dutch police force, the Royal Netherlands Military Constabulary (*Koninklijke Marechaussee*, hereafter: KMar), and the ISZW. All three investigative authorities operate under the authority of the PPS when investigating THB. Yet, under this authority, all three can in principle conduct their own criminal investigations on THB in the form of sexual exploitation and/or labour exploitation, or cooperate with and support one another in a criminal investigation (Aanwijzing Mensenhandel 2013). However, each of these authorities has a focus area and specific legal powers and duties related to their overall responsibilities and objectives. The upshot of this is that sexual exploitation is investigated primarily by special units of the Dutch police force, the so-called Aliens Police, Identification and Trafficking in Human Beings Department (AVIM). Labour exploitation is investigated primarily by the ISZW. The KMar plays an important role in investigating signals of THB (in both forms) at airports, ports, and the Dutch borders (NL-E3, E13, E14).<sup>22</sup> In this report we discuss the financial investigations into THB for sexual exploitation on the basis of the information provided by the police (AVIM departments in three regions of the Netherlands), and the investigations into THB for labour exploitation on the basis of the ISZW data.

Every criminal investigation of THB must go hand in hand with a criminal financial investigation that is directed – if possible – not only at the defendant but also at the entire criminal network.<sup>23</sup> The aim of the criminal financial investigation is threefold: i) to support the case in terms of evidence; ii) to enable the confiscation of unlawfully obtained profits; iii) to substantiate a possible claim of damages of the victim (Aanwijzing Mensenhandel, 2013).

The first objective is considered to be especially important when the THB investigation is conducted *ex officio* – i.e. an investigation that starts at the investigative authority's own initiative and not on the basis of a report by a victim (NL-E1).<sup>24</sup> For various reasons only very few victims tend to press charges in trafficking cases, while testimonies of victims are considered to be of great importance in proving THB (Holvast & Van der Meij, 2011; Vianen et al., 2006). In the absence

<sup>22</sup> For the exact legal powers and the allocation of tasks between the police and the KMar, see article 4 of the Police Act 2012 (*Politiewet, 2012*), and the letter of the Minister of Security and Justice of 29 November 2016 (*Brief van de Minister van Veiligheid en Justitie van 29 november 2016 over de Wettelijk taak Koninklijke Marechaussee bij mensenhandel, Kenmerk 2016928*).

<sup>23</sup> This starting point is laid down in the direction on THB of the Public Prosecutor's Service, the so-called *Aanwijzing Mensenhandel 2013*, which provides authoritative guidance.

<sup>24</sup> An *ex officio* investigation can start, for example, on the basis of signs picked up by prostitution controls or by the basic team of the police, by an anonymous notification at *Meld Misdaad Anoniem* (Notify Crime Anonymously – a telephone number for citizens to notify observations of crime anonymously), but also on the basis of information of intelligence services, such as information of the Financial Intelligence Unit.

of a report by a victim, a THB investigation can still be initiated and then, the criminal financial investigation can contribute significantly to the evidence in trafficking cases (NL-E1, E6). That said, even if there is a report by a victim or reports of multiple victims, financial investigations are considered to be of great importance in establishing and/or supporting proof of THB. After all, a characteristic of human trafficking cases is that statements by victims may be difficult to assess and inconsistencies in statements are often present (NL-E2, NL-E7; see also Holvast & Van der Meij, 2011; Goderie & Boutellier, 2009). Financial data and calculations can help to support, verify or negate these statements (NL-E1, NL-E3, NL-E7).

The second objective of the financial investigations – to enable the confiscation of unlawfully obtained profits – should be read in light of the Dutch instruments on combatting organised and lucrative crime. In these instruments, the deprivation of proceeds of crime plays a central role. An important instrument to deprive the proceeds of crime is the Dutch measure on the deprivation of unlawfully obtained profits (*maatregel ter ontneming van wederrechtelijk verkregen voordeel*, hereafter: confiscation measure), laid down in article 36e DCC. The confiscation measure does not have a punitive aim but is of a restorative nature. It aims to restore the financial situation as it was before the commission of the crime by making a person who is convicted of a crime pay a sum of money to the state in order to deprive that person of unlawfully obtained profits (*Kamerstukken II 1989/90, 21504, 3*; see also Borgers 2001: 75-118). Since investigating the possibility to deprive traffickers of their criminal proceeds gained is the starting point in every human trafficking case (*Aanwijzing Mensenhandel 2013*), criminal financial investigations are to be directed at the application of article 36e DCC as well. The upshot of this is that the investigators gather data, make calculations and – if possible – draw up a confiscation report in order to establish the amount of unlawfully obtained profit, which can be the material profit made, subsequent profit made and/or costs saved by the commission of THB (NL-E1, NL-E2, NL-E3; Emmelkamp et al., 2016; see for more information Borgers, 2001: 185-261). Important to note in this regard is that if there is a conviction, the confiscation measure can be imposed in a separate court decision for profits made by that very offence, but – under certain conditions – also for criminal acts for which the offender is not convicted.<sup>25</sup>

Apart from establishing the unlawfully obtained profits, another important task for the financial investigators with regard to the confiscation proceedings is to search for assets to effectuate prejudgment attachments with the aim of **securing assets** for the execution of the confiscation measure if imposed (NL-E3, NL-E1, NL-E6, NL-PC1; see in this regard article 94a (2) Dutch Code of Criminal Procedure (*Wetboek van Strafvordering*, hereafter:

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<sup>25</sup> The latter can be the case if there are “sufficient indications” that the offender committed the offences and they yielded profit for the offender, as follows from article 36e subsection 2 DCC. However, the latter can under certain circumstances, also be the case if it concerns profit from offences that are not committed by the convicted person but did result in profit for the convicted person, as follows from article 36e subsection 3 DCC. As will become clear in the subsequent sections this has consequences for the methods used to calculate the profit.



DCCP).<sup>26</sup> Notably, under Dutch criminal law, in order to prevent the frustration of recovery by sham arrangements, **assets belonging to other people** can under certain conditions also be seized with that same aim (art. 94a (4) and (5) DCCP).

The third objective of the financial investigations (substantiating a possible claim of damages of the victim) should be read against the background of the central position of victim care in trafficking cases, of which **enabling compensation of damages for victims** constitutes an important part (*Aanwijzing Mensenhandel 2013*).<sup>27</sup> The Dutch legal system knows several ways by which a victim of THB can claim damages.<sup>28</sup> Apart from filing a civil suit, a victim can claim damages via the criminal procedure in the Netherlands, by filing a claim by an injured party (*vordering benadeelde partij*), as laid down in article 51f DCCP.<sup>29</sup> The data gathered and calculations made by financial investigators can help to substantiate the claim of the victim (NL-E14), can inform the public prosecutor in forming an opinion on the claim, can be of use for the defence in rebutting the claim, and inform the judge(s) when deciding on the claim.<sup>30</sup>

In this regard, another but often interrelated route of receiving damages for the victim must be mentioned that presents a unique feature of the Dutch legal system (Giesen et al., 2015). A criminal court can, on its own discretionary power or on demand of the public prosecutor, impose a **compensation order** to pay compensation **to the state for the benefit of the victim** of the crime (article 36f DCC).<sup>31</sup> If a compensation order is imposed, this grants an executorial title to be executed by the PPS (in practice by the Collective Debt Collection Agency, the CJIB) on behalf of the victim allowing police and judicial powers to be used to enable enforcement.<sup>32</sup> The main advantage of the compensation order, thus, is that it strengthens the recovery position of the victim and **relieves the victim of the burden of enforcement**. There is an **advance payment**

<sup>26</sup> It should be noted that prejudgment attachments can also be imposed for the purpose of preserving the right of recovery for a possible imposition of a fine (see article 94a (1) DCCP) and for the purpose of the compensation order (article 94a (3)(4) DCCP). For the procedure of recovery, see article 574, 575 DCCP and 577 DCCP.

<sup>27</sup> The third objective is related to the second objective: compensating a victim can be another way to deprive an offender of the proceeds of crime and to enable restoration of the financial situation as it was before the commission of the crime.

<sup>28</sup> In this report, only those avenues are mentioned for which the financial investigation is directly relevant. Yet, more avenues of receiving/claiming damages exist.

<sup>29</sup> This provision should be read together with article 6:162 of the Dutch Civil Code on unlawful acts in Dutch tort law.

<sup>30</sup> To rule on the question of damages, the criminal court applies the rules of Dutch tort law. However, ruling on a claim of damage by an injured party is only allowed for the criminal court on condition that the ruling does not cause a disproportionate burden and hinders the criminal trial, that an order or penalty is imposed (or there is a conviction without the imposition of any penalty or other order), and that the damages claimed stem directly from the crime (article 361 DCCP). If these requirements are not met, the claim is inadmissible or partially inadmissible, leaving it to the victim to file a civil suit in order to claim compensation (Giesen et al., 2015).

<sup>31</sup> Prerequisite for imposing the order is that liability to pay damages under tort law must be established. As seen above, this will be the case if “a claim by an injured party” is sustained. Therefore, in practice, the compensation order is almost always imposed together with a sustained claim by the injured party (Giesen et al., 2015; Candido et al. 2017).

<sup>32</sup> If the offender does not meet the obligation to pay the compensation, the accompanying order of substitute custody in default will be imposed, but this accompanying order does not dissolve the civil law obligation to satisfy the compensation.

**scheme** connected to the compensation order (article 36f subsection 7 DCC). This scheme determines that the State advances the amount of damages that is not paid by the offender within eight months after the decision imposing the order on the offender has become final.<sup>33</sup>

*Financial investigations by the police (focus on sexual exploitation)*

When the police conduct a criminal investigation on THB, in theory every police officer of the specific unit in charge of such investigations (AVIM) is expected to conduct some form of financial investigation him/herself.<sup>34</sup> However, when the case contains a more complex or extensive financial component, financial investigators specialised in THB can be called upon (NL-E3; NL-E7). This is for example the case when it is suspected that large profits have been made and a confiscation report needs to be drawn up or a prejudgment attachment must be imposed (NL-E3). These financial investigators can advise the police officers in the principal investigation, or they can conduct their own financial investigation within or in parallel to the principal investigation.<sup>35</sup> In these financial investigations, the first step usually taken is to financially investigate the actors already known to be involved in the case, starting with the suspect(s) and victim(s), and – depending on the case – also taking into account family members or friends of the suspect(s).<sup>36</sup> The financial investigators try to establish the role of the actors and their relationships, reveal (more) of the network involved, and establish the financial position – in the broad sense of the word – of the actors involved, which can eventually be important in providing evidence of profits made by suspects, of damage suffered by victims, of possibilities for confiscation, and for proof of the offence of THB more in general.<sup>37</sup>

Data to base the case on include direct financial data, indirect financial data and other information. **Direct financial data** refers to financial data that regard the financial position and/or transactions of the actors involved, such as bank records, data from the tax authorities, data from currency exchange offices, data from FIU-the Netherlands where various entities are legally obliged to report unusual transactions<sup>38</sup> and data from the Credit Registration Office where credit providers are legally obliged to register all granted loans.<sup>39</sup> **Indirect financial data** refers to data that provide information on the financial position of the actors, but

<sup>33</sup> Although the compensation measure with advance payment generally is considered a best practice, a critical note is that receiving a large amount of money at once without professional support might put vulnerable victims of THB at risk. They might not know what to do with the money and risk to fall prey to other (or the same) traffickers or other criminals (NL-E1, NL-E2, NL-E3).

<sup>34</sup> In this regard, see also the last subsection (*Obstacles*) in this section.

<sup>35</sup> A financial investigation that is concerned with the unlawfully obtained profit can be conducted next to the principal investigation. This is a so-called *Strafrechtelijk financieel onderzoek* (criminal financial investigation), abbreviated SFO.

<sup>36</sup> For the legal requirements that must be met in requesting the data, see below.

<sup>37</sup> Yet, it is important to note that the financial investigations conducted more or less simultaneously with the principal case are initially aimed at discovering tactical clues for the investigation of the THB. Only later the focus shifts to substantiating demands for a confiscation order and/or for damages (NL-E1, NL-E2).

<sup>38</sup> For more information on FIU-the Netherlands, see below.

<sup>39</sup> On the basis of the Financial Supervision Act (*Wet op het financieel toezicht*).

that are not financial data. One can think of data from the municipal personal records database that show where and how (in what kind of property) the actors live or information from the land registry office where property is registered. Indirect financial data can also concern information on registered vehicles and driving licenses. Besides, it is verified whether the relevant actors are registered as entrepreneurs at the Chamber of Commerce (*Kamer van Koophandel*) and/or are involved in or with corporate entities. Clearly, **other information** can shed light on flows of money as well, such as information posted on Facebook, other social media accounts and WhatsApp or text messages that can provide insights in the lifestyle and the pattern of spending of the actors involved. Also relevant are payment information of advertisements on sex websites, the bookkeeping of offices that rent windows for prostitution, booking information of hotels, et cetera. More general police information, gathered in the principal proceeding – or if not yet gathered that can also be requested – such as the results of searches of places and objects seized, telephone data or tap results can also be of importance. Of great importance are the results of **interviews with the suspect(s), victim(s) and other actors involved**. It is considered to be highly beneficial if financial investigators are involved in the preparation of the interview and/or conduct interviews themselves, since specific questions on financial aspects can be asked and financial data gathered can be clarified and verified (NL-E3, NL-E1, NL-E6, NL-E7).

In order to request many of these data, a formal demand of the public prosecutor is necessary, in several instances an investigating judge must grant a written authorisation, and in some instances – also depending on the kinds of data and the kind of investigation in which the data are being requested – additional requirements must be met and/or other procedures should be followed (for more information, see Corstens & Borgers 2014: 281-355, 411-595).

In order to gather the data in the Netherlands, the financial investigators can – if all procedural requirements are met – contact the respective bodies and/or consult the systems themselves. That said, every police district has its own information hub (*Districtelijk Informatie Knooppunt*) that can provide up-to-date information from various police systems and on various police issues 24/7. The information hub can also request data from external bodies and/or systems (NL-E7). In this hub, various types of expertise are combined; its main advantage is that it can provide the information faster and in a more structured way (NL-E7).<sup>40</sup>

The above concerned data are available in the Netherlands. However, in many cases of THB an international component is involved and

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<sup>40</sup> In this regard, reference must also be made to an intelligence cooperation that used to exist between the National Police, the Tax Authority, Customs, the Fiscal Intelligence and Investigation Service (FIOD), the CJIB, various special investigation services, and the PPS, the so-called Infobox Criminal and Unexplainable Property (*Infobox Crimineel en Onverklaarbaar Vermogen*, hereafter: iCOV), that was considered to be very valuable in the investigation (NL-E1, NL-E2, NL-E3, NL-E5, NL-E6, NL-E7). iCOV delivered data-intelligence products to the co-operating authorities and developed risk-indicators and patterns that could help to expose money laundering and fraud constructions. (Opportuun nr. 4, 2016; NL-E7). However, due to a problem with the Covenant at this time of writing, iCOV is no longer operational (NL-E7).

data must be gathered abroad. In order to gather data abroad, usually, **requests of assistance** must be sent abroad. In Europe, various European legal instruments govern these requests. Yet, the national procedural law of the requesting and requested state remains important to a certain extent (for more information, see Klip 2016). The requests can concern data but also the confiscation of property or assets. Yet, as will become clear below, the international component often turns out to be an obstacle to the criminal financial investigations. Another option to gather data abroad is co-operating in a Joint Investigation Team (JIT). Various respondents have already participated in these JITs and were overall very positive about their experiences.

Once the data are gathered, the next step in the financial investigation is to **interpret the data**. Once interpreted, as seen above, the data can provide a lot of information or evidence for the principal case. Clearly, the data can also provide information on the existence and amount of unlawfully obtained profit and can help to uncover property of the offender for the purpose of preserving the right of recovery for the compensation order or the confiscation measure as discussed above. In establishing the unlawfully obtained profit (and also in establishing the amount of damages for the victim) calculations play an important role. These calculations can in turn also help to establish the plausibility of the unlawfulness of the profit (Borgers, 2001: 302).

In order to calculate the unlawfully obtained gains, different methods can be used. The method that is most commonly used and that usually results in the most accurate amount is the so-called **transaction calculation** (NL-E3, NL-E6). In a transaction calculation, profits made by of the offence are determined and the expenses made are subtracted, resulting in the overall unlawfully obtained profit (NL-E3, NL-E2; Emmelkamp, Felix & Verschaeren, 2016). The profits made by the offence can be determined by multiplying various – so-called – building blocks. In a case of sexual exploitation, these building blocks are for example: the number of victims, the number of days the victim has worked, the number of clients the victim has had, and the price per client. It should be noted that since the price per client and the number of clients per day may differ, often average numbers are established over a certain period of time (NL-E1). Also, the building blocks can be extrapolated to other periods of time which can partially relieve the burden of proof on the Public Prosecutor.<sup>41</sup> The expenses that are subtracted clearly depend on the case concerned, but one can think of money for food, housing, booking costs for the workroom or hotel, telephone costs, lingerie, condoms, lubricant, et cetera (NL-PC1, NL-CRP11 – see also section 3.3). Yet only those costs directly related to the THB can be subtracted (art. 36e (8) DCC; NL-E1; NL-CRP11). Evidence for the building blocks and costs can come from the data described above. For example, the bookkeeping of the prostitution offices, telephone data, and wiretapped conversations, for instance, on the number of customers (NL-PC1). Declarations of victims, witnesses and customers are also very important (NL-E2, NL-PC1, NL-CRP11). Often several sources of

<sup>41</sup> See the judgement of the Dutch Supreme Court of 25 March 1997, ECLI:NL:HR:1997:AK1364.

**Box 1.****Income in the period of 2006 – 2012**

2006: 96 working days x €500 per day = €48,000  
 2007: 294 working days x €500 = €147,000  
 2008: 294 working days x €500 = €147,000  
 2009: 294 working days x €350 = €102,900  
 2010: 126 working days x €350 = €44,100  
 2011: 13 working days x €400 = €5,200  
 2012: 31 working days x €400 = €12,400  
 Total = € 506,600

**Costs over the period from 2006 – 2012:**

Rent €84,040  
 Condoms, lubricant and other attributes €17,220  
 Working clothes €5,000  
 Make-up and tanning 2 times €2,410.00 €4,820  
 Transport €57,400  
 Total = €168,480 -/-  
  
 Total = €506,600-€168,480 = €338,120

data must be combined in order to paint an accurate picture. For some costs (such as the costs of food or condoms), standard fees can be used in the calculation. However, for the building blocks no standard fee is available; the building blocks depend on too many variables, e.g. the street the woman works in, the competition, the age of the woman, the looks of the woman, the sexual acts the woman is willing to perform, et cetera (NL-E3, NL-E2, NL-E14). Yet, in case it is impossible to find or provide any information on the amount of money earned, but it is clear that window prostitution took place during a certain period, a minimum fee of €100 per day (NL-E14) is used. Yet, this should be regarded as an absolute minimum. In Box 1 an example from a recently published case report is provided as an illustration of a transaction calculation concerning one victim. Evidence for the building blocks in this case was provided by declarations of the victim and the bookkeeping of the workroom the victim worked in.<sup>42</sup>

Because of the design of the law (as set out above) under certain circumstances,<sup>43</sup> abstract methods of calculation can be used and no direct causal connection needs to be established between the advantages and the offences from which they are the result (De Zanger, 2015). Therefore, the point of departure of these calculations is not the profit per crime, but the amount of money/property/assets (hereafter: property) the offender had at his or her disposal over a certain period of time that cannot legally be accounted for. These methods are the so-called property analysis method and the cash position method.

With the **cash position method**, a comparison is made between the opening balance and ending balance of the person involved, and the intervening flows of money are investigated. Central to this method is the presumption that expenditures that cannot be legally accounted for are the result of criminal activity. It is up to the defendant to argue plausibly that the expenditures had a legal source.<sup>44</sup> In the simple version of the cash position method, only cash flows are investigated. Deposits on the bank are booked as expenditures. Cash withdrawals are

<sup>42</sup> See the judgement of the Court of the North of the Netherlands of 5 December 2017, ECLI: NL:RBNNE:2017:4662.

<sup>43</sup> For article 36(2) DCC if the profit can be related to specific criminal offences and for article 36(3) DCC if it concerns a conviction for an offence with a high category of fine (so-called 5<sup>th</sup> category, which is THB in article 273f DCC). See also Supreme Court of 14 March 2017, ECLI: NL:HR:2017:414.

<sup>44</sup> According to the Dutch Supreme Court this is not in violation of article 6 EHRM as long as several requirements are met. See Dutch Supreme Court 17 September 2002, ECLI:NL: HR:2002:AE3569.



**Box 2. Simple cash position method**

Opening balance in cash  
 +/- legal cash receipts  
 -/- End balance cash  
 = available for expenditure  
 -/- Factual cash expenditures  
 = difference  
 = **unlawfully obtained profit**

**Box 3. Complex cash position method**

Opening balance in cash and bank account  
 +/- legal receipts  
 -/- End balance cash and bank account  
 = available for expenditure  
 -/- Factual expenditures  
 = difference  
 -/- profit from saving costs  
 -/- non-monetary profit  
 -/- subsequent profit  
 = **unlawfully obtained profit**

**Box 4. Property analysis method**

Property at the end date  
 -/- Property at the starting date  
 = increase in property  
 +/- Actual expenditures  
 = total expenditure  
 -/- legal income  
 = **unlawfully obtained profit**

considered to be legal income.<sup>45</sup> In the complex cash position method, account movements are also taken into account. Important with this calculation is to filter cash withdrawals and deposits in order to prevent double counting (NL-E1, NL-E2, NL-E3; NL-PC3; Borgers, 2001, p. 301-302, 351; Emmelkamp et al., 2016). However, since not all profit can be made visible, one can also take into account non-monetary profit, outstanding debts and subsequent profit (Butter-Sintenie & Van Diggelen, 2014). In box 2, a schematic example of a simple cash position derived from a police file is set out.<sup>46</sup> In box 3, a schematic example of a complex cash position derived from Emmelkamp, Felix & Verschaeren (2016) is set out.

In the **property analysis method**, the unlawfully obtained profit is calculated by making use of the property of the offender with the presumption that an increase in property that cannot be explained by visible and legal sources of income has an illegal origin (NL-E1; Borgers, 2001).<sup>47</sup> It is up to the offender to argue plausibly that there were indeed legal sources of income. This method is affected by establishing the property (money and possessions) at two moments in time (a starting date and an end date). The property at the start date is compared to the property at the end date, yet a correction is made by adding the actual expenditures (also investments) and by subtracting the legal income (Borgers, 2001). The result of this calculation is the sum that cannot be related to legal flows of money. An example also derived from Emmelkamp, Felix & Verschaeren (2016) is set out in box 4.

It is possible to use different calculations to substantiate the plausibility of the calculations. However, a disadvantage of the abstract methods is that in practice, it turns out to be very difficult to map all the expenditures and property, especially if part of the property is located or cash flows take place outside the Netherlands. This often makes the result of the abstract calculation less accurate and lower than the

<sup>45</sup> Important is to make sure that alleged cash expenditures are not also specified on the bank statements (lest these are counted twice).

<sup>46</sup> If Butter-Sintenie and Van Diggelen are followed, the profit from saving costs, non-monetary profit and subsequent profit should also be subtracted.

<sup>47</sup> According to the Dutch Supreme Court this is not in violation of article 6 EHRM as long as several requirements are met; Dutch Supreme Court of 28 may 2002, ECLI:NL:HR:2002:AE1182.



results of a transaction calculation (NL-E3, NL-PC1; see also Borgers, 2001).

*Financial investigations by the ISZW (labour exploitation)*

Cases of THB for labour exploitation are less dealt with by the police (NL-E13; *Tiende Mensenhandelrapportage 2017*), but are rather part of the inspection work of the ISZW – the supervising and investigative authority of the Ministry of Social Affairs and Employment. In its task of identifying cases of labour exploitation, ISZW collaborates with several NGOs (the most important one being FairWork). An important component of ISZW's investigation of labour exploitation is a financial investigation, comparable to the financial investigation elaborated upon above. This means that various direct financial data, indirect financial data, and other data are requested and investigated, both in the Netherlands and abroad – since significant profits in some labour exploitation cases are transferred abroad. Naturally, due to the nature of labour exploitation the data requested, and especially the third category of other data, will differ to a certain extent from the kinds of data requested in cases of sexual exploitation. Important in labour exploitation cases are for example hour registrations, pay slips and data from internal systems of the ISZW, e.g. reports on corporations made by the inspectorate. Some of the data are also gathered online, for example by looking at reviews on businesses posed online which can provide important information. Contrary to cases of THB for sexual exploitation, for **labour exploitation cases it is often possible to follow a paper trail** (NL-E13). An explanation can already be found in the fact that Dutch legislation on wages determines that the statutory minimum wage must be transferred on the bank account of the recipient and may not be paid in cash (article 7a *Wet minimumloon en minimumvakantiebijslag*; NL-E13).<sup>48</sup>

To request the data, the same legal (procedural) requirements must be met as set out in the sections above. When the data are gathered, the next step is interpreting the data and – if possible – making calculations. Also for calculations of the unlawfully obtained profit by labour exploitation, declarations of victims are very important and function as a starting point. Interesting in cases of labour exploitation is, however, that the emphasis in the calculations will often be on **costs saved by the exploiter** (NL-E13). Yet, also calculations are made that establish the amount of money a victim should have received but did not receive. In order to establish the unlawfully obtained profit, also the amount of money that should have been paid to the tax authorities is calculated (NL-E13). Another important task of ISZW is to uncover/reveal how the money was invested, also for the purpose of prejudgment attachments. For this, in practice, it is often necessary to make requests to search abroad.

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<sup>48</sup> However, we did come across constructions by which exploiters try to circumvent these obligations.

*Other financial investigations*

Financial investigations on THB are also conducted outside of the scope of criminal law. Two relevant examples are provided by financial investigations conducted by FIU-the Netherlands and financial investigations by banks.

FIU is the organisation in the Netherlands where institutions are obliged (by law) to report unusual financial transactions on terrorism and money laundering.<sup>49</sup> This means that the data FIU-the Netherlands works with are transactions that are labelled “unusual,” following so-called report-indicators implementing the legal report obligation laid down in the Money Laundering and Terrorist Financing Prevention Act, (*Wet ter voorkoming van witwassen en financiering van terrorisme*, hereafter: *Wwft*).<sup>50</sup> The main task of FIU-the Netherlands is to investigate the unusual transactions reported, to enrich them with additional information, and to see whether these transactions can be declared suspicious and thus be shared with investigative and intelligence services (article 13 *Wwft*; NL-E12). Other tasks of FIU-the Netherlands are to share developments they monitor with other parties such as the ministry and investigative authorities, to conduct their own investigations and to share their expertise with other (foreign) parties (NL-E12).

With respect to THB, investigative authorities can ask FIU-the Netherlands to provide transactions and information on transactions of a certain actor.<sup>51</sup> As already became clear above, data gathered on unusual transactions by FIU-the Netherlands can be of great importance in criminal investigations on THB. Vice versa, the requests of the investigative authorities with the accompanying information on the investigation can help FIU-the Netherlands to label their transactions. Yet, FIU-the Netherlands can also conduct its own intelligence investigations regarding THB on their data.<sup>52</sup> On the basis of acquired knowledge on THB (e.g. based on information coming from police, the ISZW, academic research or results of their own research), queries are developed. These queries are run on the data on a weekly basis. Results of the queries are investigated by researchers of FIU-the Netherlands and if declared suspicious, the data and information can be passed on to investigative authorities. In their investigations,

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<sup>49</sup> This is laid down in the *Wwft*, which implements the Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and subsequent directives. However, it should be noted that the reporting obligation was already laid down in predecessors to the *Wwft* that, in turn, implemented the predecessor of Directive 2005/60/EC, namely Directive 2001/97/EC. FIU-the Netherlands is part of the Dutch Police in organizational terms but is an independent body of the Netherlands (NL-E12).

<sup>50</sup> These report-indicators can be found on the website of FIU-the Netherlands: <https://www.fiu-nederland.nl/>

<sup>51</sup> This should be done via a so-called **LOVJ2 request**. This is a request made by an investigative authority via the National Public Prosecutor for Money Laundering to FIU-the Netherlands. The request can concern the suspect, but also people related (in one way or another) to the suspect and/or alleged or potential victims.

<sup>52</sup> These investigations can be initiated on their own initiative or can be based on a request of for example the Expertise Centre on THB (*Het Expertisecentrum Mensenhandel en Mensensmokkel*, see: <https://www.rijksoverheid.nl/contact/contactgids/expertisecentrum-mensenhandel-en-mensensmokkel-emm>) or an information hub from a police district if there is capacity and will to start a new investigation.

FIU-the Netherlands can collect various sorts of other data as well (direct financial data and indirect financial data). The data collected are interpreted and the results are laid down in so-called intelligence reports. These intelligence reports can be of great value to the investigative authorities in order to start an investigation (NL-E11, NL-E12).

For FIU-the Netherlands, it is also very **easy to request data from other FIUs abroad since no formal requests need to be sent**. This information can also be passed on to investigative authorities (to direct the investigation) if the other country has given its consent. This tends to provide very useful information in THB investigations and can speed up and further the investigation. After all, the time-consuming obstacle of a formal requests is not present. However, if the information is used in an official report, a formal request must be sent anyway, but then the information is already known.

A financial investigation can, furthermore, be conducted by a financial institution such as a bank. After all, their core business centres on financial transactions. Considering the money management of THB described above, this can be especially interesting in cases of labour exploitation. Yet, there is no legally binding obligation for banks to conduct financial investigations on THB that can be compared to the obligations in respect of anti-money laundering and anti-terrorism financing. This means that **picking up signals of THB is often considered to be an added bonus rather than an obligation** (NL-E10).<sup>53</sup>

However, just like anti-money laundering and terrorist financing, financial crime units of banks can (and sometimes they do) take up the issue (NL-E9). A bank can analyse its transactions and identify red flags. A bank can scan its transactions by **running queries on certain scenarios of THB** (just as FIU-the Netherlands does). However, a major difference is that FIU-the Netherlands has the benefit of the fact that a selection has already been made – the data FIU-the Netherlands works with are *unusual* transactions that are reported as such – while a bank has to work with *all* transactions. In practice, if such queries are run, this results in a very high number of hits. Running these queries has therefore not been proven to be very successful so far (NL-E9, NL-E10). Also, privacy regulations certainly do not allow banks to undertake every action that could potentially be undertaken in identifying red flags (NL-E10). It should, however, be reminded that investigative authorities such as the police or the ISZW can of course request data (e.g. transactions) from a bank on certain subjects in a THB investigation and banks also have the obligation to report unusual transactions to FIU-the Netherlands that can also concern THB cases. When it comes to the role of financial

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<sup>53</sup> Also, if banks do conduct financial investigations of some sort on THB, the investigations are often part of so-called human rights due diligence. Human rights due diligence on THB is not the result of a binding legal obligation but follows from non-binding instruments such as the United Nation Guiding Principles on Business and Human Rights and can be described by some banks in their statement published under the UK's Modern Slavery Act (Van Dijk et al., 2016). Yet, if due diligence is conducted, it is mostly directed at high risk sectors, high risk countries and multinational or large corporations, while THB clearly is also present closer to home and in other segments of the market, and can concern all kinds of corporations and individuals (Van Dijk et al., 2016).

institutions in combatting THB, it is interesting to note that they can be and according to our respondents also are **present at the “front door.”** After all, when people or corporations apply for loans, open bank accounts or are involved with a bank in another way, account managers and customer relationship managers that are trained in picking up signals of THB and know what do when these signals are present, can (and do) play an important role in combatting THB. Moreover, **several banks register suspicious behaviour they encounter in their day-to-day activities** in internal systems. This can, for example, already be the case when a woman opens up a bank account but a man who accompanies her does all the talking and demonstrates “suspicious behaviour” (NL-E9). In theory, investigative authorities can also request this information when investigating a certain subject in a THB case. However, in practice this is not always done (according to our respondents, an explanation could be that there is a **lack of awareness**).

#### *Obstacles*<sup>54</sup>

Based on the interviews with our respondents and the case studies done, several obstacles can be identified. Some of the most important obstacles are connected to the nature and the modus operandi of the trafficking. An example is the fact that in many cases of human trafficking for sexual exploitation, there is **no (or only a limited) paper trail**. It is a cash business and – as it appears – large amounts of cash money are transported abroad and/or rapidly spent. This makes it difficult to trace and confiscate the money and is further complicated by reluctance to press charges by victims, as well as their oftentimes-inconsistent declarations (see above), and by the complicated distinction (in labour exploitation) between bad work management and actual exploitation (see sections above). In terms of legislation, **privacy legislation** is sometimes experienced as an obstacle since some data (e.g. video footage) can only be saved for a certain amount of time and certain (investigative) actions are not allowed due to privacy considerations. Also applying for formal demands of the public prosecutor or written authorisation of the investigative judge (and formalising data) are by some considered to be time consuming. However, other respondents do not experience this as a problem. On a practical level, borders are often experienced as an obstacle: when requests for data or for the confiscation of property must be sent abroad, in transnational THB cases, it can be very **difficult to get a request executed**. Most notably in countries that are not parties to a treaty with the Netherlands on this matter. This tends to constitute a problem particularly in cases of labour exploitation.

Even if there is an existing legal framework, **time** is considered to be an important obstacle. Executing the requests in practice takes a lot of time. The investigative authorities often depend on the authorities in other countries, and it is sometimes difficult to know where the request must be made. This can not only delay the investigation (and therewith a subsequent procedure in court) with associated negative consequences,

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<sup>54</sup> In this section, references to the experts are omitted in order to protect their position and anonymity.

but can also frustrate the investigation and possible confiscation of the proceeds of THB. To provide an example, there have been cases where people abroad were notified (by offenders in the Netherlands) about the investigation and requests for searches, which resulted in possessions being hidden and property put on other names. Another time-consuming aspect related to requests for data is the fact that once data is received, often **translations** must be made.

Another aspect that makes national borders an obstacle is the fact that **procedural rules and/or practices on gathering data and on confiscation differ in various countries**. A unique feature of the Netherlands is, for example, that prejudgement attachments on assets of the offender (or under conditions on assets belonging to another person) are also possible for the purpose of preserving the right of recovery for the compensation order. However, in other countries this option does not seem to exist. Since investigations in the Netherlands are more and more focused on enabling damages for the victim, this constitutes an obstacle in those investigations. Also, not in every country can prejudgment attachments be imposed on assets belonging to another person. Yet, also if there are common rules on gathering data or confiscation (e.g. due to European legislation on the matter), these rules are not always enforced as such in practice and confiscations are not always imposed. Even if property is confiscated, the right of recovery (for the confiscation measure) may still not be secured, since in a number of cases the **property is not alienated in due time**, which can cause a decline in value and frustrate the procedure.

Moreover, in a JIT, although highly valued, respondents experienced some obstacles. Some of these were caused by (differences in) procedural rules as well. For example, if in a certain country only one person participating in the JIT can draft a formal document and eight other people must sign it before it is formalised, the investigation can take a long time. Another example provided by our respondents is that in a certain country wiretaps were allowed for only a very limited number of days, yet, in the JIT there was a clear hint that something was going to be discussed in another country. However, wiretapping was no longer allowed. Some of the obstacles experienced in a JIT also related to practicalities in other countries, e.g. data that needed to be collected physically at banks.

A lot of respondents face obstacles in terms of **capacity**. On the one hand, there does not seem to be enough time, manpower and means available to investigate all that *could* be investigated. For example, it may be of great importance to clarify how a certain suspect lives in a case of sexual exploitation, regarding the above discussed difficulty to trace cash money flows. Investigating, for example, the amount of money at one's disposal and the pattern of expenditure can provide evidence on the amount of unlawfully obtained profit and may be useful for making abstract calculations. Investigating the facilitators was also brought forward as a useful addition to what is currently investigated, as facilitators in one case can be also involved in another case. However, investigative authorities are lacking capacity to do this. Neither is there enough



time and/or manpower to be present at all interviews of suspects or witnesses, or to support the preparation of all interviews, while this is considered to be of great value.

On the other hand, there does not seem to be enough capacity to investigate all that *should* be investigated according to the guidelines of the PPS either. Not in every THB case a financial investigation can be conducted. In some instances, it is not even possible to investigate every THB case in due time. In this regard, it should be noted that the available means and time seem to differ depending on the kind of case concerned. If it concerns a case that starts on the basis of e.g. intelligence information (a so-called proactive case), often with more suspects involved, usually more means and time are available than in a case that starts e.g. on the basis of a report of a victim (a so-called reactive case).

In terms of **intelligence and ICT-technology**, according to our respondents, **only limited action is undertaken** on this part by the investigative authorities themselves on THB when case preparation is concerned, whereas this could be very fruitful in discovering (more) cases and for securing evidence. Yet, FIU-the Netherlands sometimes plays an important role in this regard. Also, THB cases include suspects with a lot of knowledge on the use of technological means and social media, who use it for example to recruit victims, to recruit clients or to control/pressure their victims, as mentioned in section 3.5. However, the same **knowledge** is not always present at the investigational level. A related obstacle seems to be the fact that **digital tools to process financial data** such as bank accounts are still missing. Some are being developed and purchased, but not all investigative departments have these systems at their disposal.

## 5. CONCLUSION AND RECOMMENDATIONS

Maybe the most important conclusion of this research is implied in the concern reflected (in different wordings) by financial investigators in this research: Where does the money go? Notwithstanding huge developments in the Netherlands over the last decennia in financial investigation, in confiscation possibilities, and in the compensation for victims in THB – both in a legal sense and in the professionalization of the practice of financial investigations – a lot of money flows in THB remain invisible.

On the one hand, that is intrinsic to the crime: only a small part of the actual THB and traffickers are visible and investigated. According to some respondents, this often concerns the “stupid” and unorganised traffickers; the smart, well-organised traffickers often escape investigation. Moreover, as far as sexual exploitation is concerned, this form of THB oftentimes **does not leave a paper trail**, contrary to labour exploitation. Whereas *in casu* labour exploitation it was perceived as difficult to determine when “bad working conditions” would become



labour exploitation, that situation is vastly different from the reality of human trafficking for sexual exploitation – and even more so since The Netherlands made a sharp turn towards a more repressive approach on prostitution. The latter trend further distances sex work from other branches in the labour market that are vulnerable to exploitative working conditions (like working in fruit production in Dutch greenhouses), as well as from a successful claim to rights.

But the lack of a paper trail in THB for sexual exploitation can also be linked to the characteristics of the different types of trafficking organisations and their financial “habits” in the Dutch context. This research revealed that it is elucidating to typify these different forms of organisation into four models or categories. Firstly, we differentiated domestic sex trafficking cases with a low degree of organisation – not seldom one (Dutch, often migrant background) pimp with one or two (Dutch) victims – and a typical lover-boy method of recruitment and exploitation. A paper trail of profits earned is often lacking here, with **money made being immediately spent** on a boasting pimps’ lifestyle of golden necklaces, (hired) cars, expensive brands clothing and luxurious parties. This lifestyle is also a recruitment asset. For this type of trafficking starting capital mainly exists of **social skills** – such as reading a person, influencing, and persuading her. The case is different for the second type: cases in which pimps are Dutch, and (some) victims are from abroad, and in which we see a higher degree of organisation and (often) an international component. These Dutch traffickers recruit – often indirectly via a recruiter in the source country – not only Dutch girls but also girls from Eastern Europe. They **use facilitators to outsource** part of their (criminal) activities. They invest their profits in **property**: real estate, boats, cars, in which case there might be a paper trail. However, since the allocation key of earnings in prostitution is often non-transparent and dynamic (it may change over time, at the pimps’ will), that paper trail is often complex, internally inconsistent and incomplete. In the third type of trafficking organisation – the foreign, family business structured organisation – the paper trail is often missing as well. Starting capital is limited, but **social capital** seems to compensate for the lack of financial capital and provides the trafficker with some stability and security. The revenues are **invested in the source country** – in real estate, cars, et cetera. Financial investigators often have a hard time getting sufficient insight in such foreign investments, being hindered by time constraints and (transnational) administrative complexities. Moreover, **money is increasingly transported in cash**, instead of being sent to the source country via money transfers – contributing only to the lack of a paper trail. We have not looked deeply into the fourth type in this research, namely THB as a result of migratory (refugees) flows, as we did not encounter such cases, notwithstanding the fact that our respondents did. Moreover, we did not come across highly sophisticated, large, international trafficking organisations, although prior cases in the Netherlands – such as Sneep and Koolvis – suggest that these do exist.

All of the discussed types of THB for sexual exploitation use the internet and social media quite extensively. They use it: i) for **recruitment** of new girls; ii) for **advertising the girl** to clients; iii) as a **means to control** her;

and iv) as an **exploitation modality** in itself. In labour exploitation, the internet is similarly, though far less, used for recruitment.

Although in both forms of human trafficking – for labour and for sexual exploitation – the lion's share of profits emanates from the very basic technique of having someone work for you without paying that person (enough), there are other practices to augment the profits. In labour exploitation we found three revenue models, which are intricately related: i) saving on salary costs through letting the victims work more hours than they are paid for; ii) paying few or no taxes; iii) other revenues directly extracted from labour migrants – like money for a meal, relatively expensive housing, fines, et cetera. Profits made are generally invested back in the company.

As far as the detection and confiscation of profits of THB are concerned, we can say that the Dutch legal system and policies concerning THB are unique in some aspects. First of all, because of an **integrated approach** to THB, not only the police but other parties – FIU-the Netherlands, banks, municipalities, ISZW – are involved in financial investigation. The fact that they all look at the phenomenon and the money to be traced from a different professional perspective seems to be a strength for financial investigations (as long as these perspectives are sufficiently communicated and exchanged). They can all add different information to the puzzle and work with different methods, thereby helping each other finding the information needed. However, there are limits to such cooperation, as our respondents pointed out. While some of them were pretty content about the amount of information they could share with other organisations, others believed that the law on privacy and/or differences in “culture” often played havoc with exchanging private and public information freely and thereby being able to combat THB more effectively. They would, thus, like to see more exchange of information. In general, it is considered to be important that various parties (both public and private) share information on, for example, modalities, modus operandi, and financial management in THB cases on a structural level. The Dutch legal system further provides for a **compensation order**, which implies that the convicted should pay compensation to the victim, but will not do so directly, but via the Dutch state, which will apply an **advance payment scheme**. This construction relieves the victim of the burden of enforcement – the possible scenario that the trafficker does not pay (in time) is not the victim's problem any longer.

A useful aspect of the Dutch approach to recovering money earned in THB, concerns the **confiscation of assets**. Not only can the Dutch state impose prejudgement attachments on money and assets from the trafficker, but also under certain conditions **from others than the trafficker**. This is also possible in order to preserve the right of recovery for the compensation order. This is, in principle, a valuable response to traffickers putting their revenues on other people's names to hide their “black” money.

Notwithstanding these highlights in the Dutch legal system, our respondents also brought forward some challenges for the future. They concern,

in the first place, **complexities in international cooperation**. Notwithstanding the fact that JITs were without exception positively valued, these international teams could not solve every problem related to the transnational character of (combating) THB. Also, JITs are not and cannot be established in every THB case. Therefore, the obstacle remains that requests for data or for the confiscation of property sent abroad, can take a long time to be executed. Moreover, procedural rules and practices on gathering data and on confiscation are not the same in other countries. This slows down or even frustrates the (transnational) detection and confiscation of finances and assets acquired through THB.

Secondly, respondents mentioned the **lack of capacity** within the Dutch legal system as an important limitation of financial investigations into THB. They feel they could do a better job combating THB if they would have more capacity to pro-actively analyse the vast amount of available (financial) data. True as this may be from their point of view, there are some considerations to take into account here: firstly, the fact that in the contemporary information era the amount of available data will *always* (far) extend investigative capacities. Secondly and related to that, it depends on the available technology, expertise and skills of investigative authorities whether the vast amount of data can be efficiently tapped into; in that respect it is important to mention that some respondents in this research expressed their concern over the insufficient knowledge of ICT technology and social media in Dutch law enforcement. Thirdly, the quest for data – and more particularly the linking of different data systems – may be at odds with European citizens' privacy and the safety of their personal data. Fourth and lastly, the wish to tap into the vast amount of data (assemblages) in order to fight human trafficking needs to be balanced with rather protective goals: making sure European citizens can have their human rights respected and work without being exploited.

## LIST OF ABBREVIATIONS

<b>AVIM</b>	Aliens Police Department, Identification and People Trafficking
<b>CJIB</b>	Collective Debt Collection Agency
<b>DCC</b>	Dutch Criminal Code
<b>DCCP</b>	Dutch Code of Criminal Procedure
<b>ECHR</b>	European Convention on Human Rights
<b>ECtHR</b>	European Court of Human Rights
<b>FIU</b>	Financial Intelligence Unit
<b>ISZW</b>	Inspectorate Social Affairs and Employment
<b>JIT</b>	Joint Investigation Team
<b>KMar</b>	The Royal Netherlands Military Constabulary
<b>PPS</b>	Public Prosecutors Service
<b>STV</b>	The Foundation Action group against Trafficking in Women
<b>THB</b>	Trafficking in Human Beings
<b>Wwft</b>	Money Laundering and Terrorist Financing Prevention Act

## LIST OF INTERVIEWEES

Respondent code	Position/Department	Institution/Role
NL-E1	Financial investigator	Aliens Police Department, Identification and Trafficking in Human Beings (AVIM) Amsterdam
NL-E2	Financial investigator	Aliens Police Department, Identification and Trafficking in Human Beings (AVIM) Amsterdam
NL-E3	Financial investigator	Aliens Police Department, Identification and Trafficking in Human Beings (AVIM) Amsterdam
NL-E4	THB Expert	Aliens Police Department, Identification and Trafficking in Human Beings (AVIM) Amsterdam
NL-E5	Financial investigator	Aliens Police Department, Identification and Trafficking in Human Beings (AVIM) Central Netherlands
NL-E6	Financial investigator	Aliens Police Department, Identification and Trafficking in Human Beings (AVIM) Central Netherlands
NL-E7	Financial investigator	Aliens Police Department, Identification and Trafficking in Human Beings (AVIM) East Netherlands
NL-E8	Director NGO	FairWork
NL-E9	Head Intelligence & Analysis	Bank
NL-E10	Head Environmental, Social & Ethical Risk Policy	Bank
NL-E11	FIU-the Netherlands	Financial Intelligence Unit (FIU)
NL-E12	FIU-the Netherlands	Financial Intelligence Unit (FIU)
NL-E13	Financial Specialist	Inspectorate Social Affairs and Employment (ISZW)
NL-E14	Lawyer victims of THB	Law firm
NL-E15	Policy maker Administrative Approach Organized Crime	Municipality Amsterdam
NL-E16	Employee	Foundation BARKA NL (support for Polish migrants)
NL-E17	Financial Investigator	Inspectorate Social Affairs and Employment (ISZW)

## LIST OF STUDIED CASES

Case	Institution	Particularities
NL-PC1	Police	Police files, case 1 (sexual exploitation)
NL-PC2	Police	Police files, case 2 (sexual exploitation)
NL-PC3	Police	Police files, case 3 (sexual exploitation)
NL-CC4	Court	Court files, <sup>55</sup> case 4 (sexual exploitation, 2 files) <sup>56</sup>
NL-CC5	Court	Court files, case 5 (sexual exploitation, 1 file)
NL-CC6	Court	Court files, case 6 (sexual exploitation, 6 files)
NL-CC7	Court	Court files, case 7 (sexual exploitation, 2 files)
NL-CC8	Court	Court files, case 8 (sexual exploitation, 1 file)
NL-CC9	Court	Court files, case 9 (sexual exploitation, 1 file)
NL-CC10	Court	Court files, case 10 (sexual exploitation, 1 file)
NL-CC11	Court	Court files, case 11 (sexual exploitation, 2 files)
NL-CC12	Court	Court files, case 12 (sexual exploitation, 1 file)
NL-CC13&14	Court	Court files, case 13&14 (sexual exploitation, 2 files)
NL-CRP1	Court	Court report 1 <sup>57</sup> (labour exploitation) ECLI:NL:RBAMS:2013:8461
NL-CRP2	Court	Court report 2 (labour exploitation) ECLI:NL:RBDHA:2013:16185
NL-CRP3	Court	Court report 3 (labour exploitation) ECLI:NL:RBOVE:2013:2951
NL-CRP4	Court	Court report 4 (labour exploitation) ECLI:NL:RBZWB:2014:6563
NL-CRP5	Court	Court report 5 (labour exploitation) ECLI:NL:RBROT:2015:3785
NL-CRP6	Court	Court report 6 (labour exploitation) ECLI:NL:GHAMS:2016:5035
NL-CRP7	Court	Court report 7 (labour exploitation) ECLI:NL:RBOBR:2016:6594
NL-CRP8	Court	Court report 8 (labour exploitation) ECLI:NL:RBOBR:2016:6595
NL-CRP9	Court	Court report 9 (labour exploitation) ECLI:NL:RBLIM:2016:9602
NL-CRP10	Court	Court report 10 (labour exploitation) ECLI:NL:RBLIM:2016:9615
NL-CRP11	Court	Court report 11 (labour exploitation) ECLI:NL:RBNNE:2017:4662

<sup>55</sup> We screened a total sample of 33 court files of sexual exploitation that took place in the Region Middle Netherlands. Of the 33 files, we selected a sample of 11 cases for content analysis (of which the latter two were related to one another). The cases consisted of 19 files (see footnote 58 on the difference between a “case” and a “file”). We chose the cases as diverse as possible regarding size of the trafficking network; domestic/foreign case; number of perpetrators/victims; modus operandi et cetera in order to prevent a selection bias. For further backgrounds of the sample method and data analysis, see *Data collection* above.

<sup>56</sup> A case refers to an incidence of exploitation in a certain exploitative setting. In some of our case-studies, the case existed of two or more files, meaning that there were two or more suspects connected to the case, who were separately tried before court. The number of files per case does not say anything about the number of victims (one suspect can have one or more victim(s), just like two or more suspects can have, in theory, one or more victim(s)). It does say something, however, about the *complexity* of the trafficking network. Cases with more files generally concern larger networks of greater complexity. See section 2 for an elaboration on the cases.

<sup>57</sup> Whereas the court and police files (cases 1 to 14: PC1 to CC14 on *sexual exploitation*) involved confidential data for which we needed clearance, the court reports (CRP1 to CRP11 on *labour exploitation*) are publicly available on [www.rechtspraak.nl].



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# FINANCING OF TRAFFICKING IN HUMAN BEINGS IN ROMANIA

Policies against trafficking in human beings began in Romania shortly after the 1989 revolution when the main organised crime groups emerged. The legislation developed at a slow pace and mostly after the year 2000 (Centro de Estudos Sociais, 2014, p. 453). In December 2000, Romania signed the United Nations Convention against Transnational Organised Crime as well as the Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children.<sup>1</sup> Shortly after, in 2001, the parliament adopted Law No. 678/2001 on preventing and combating trafficking in human beings. Heavily amended over time and supplemented by other legislation, this law is still in force in 2018. Human trafficking was defined as a crime in the Criminal Code that entered into force in February 2014.<sup>2</sup> In 2006, Romania signed and ratified the Council of Europe Convention on Action against Trafficking in Human Beings<sup>3</sup> and established the National Agency against Trafficking in Persons (ANITP) under the supervision and coordination of the Ministry of Internal Affairs.<sup>4</sup> ANITP has the mandate to coordinate, evaluate and monitor at national level the implementation of policies against trafficking in human beings, victim protection and assistance. Also, ANITP is the national rapporteur under the EU Directive on Trafficking in Human Beings 2011/36. The Directorate for Investigating Organized Crime and Terrorism (DIICOT) has the legal mandate to investigate human trafficking crimes.<sup>5</sup> It is an autonomous and specialised anti-organised crime prosecutor office under the General Prosecutor Office. The Romanian Police, organised under the Ministry of Interior, cooperates with DIICOT as judicial police and also established a Trafficking in Persons Unit within Directorate for Countering Organised Criminality.

Historically, Romania had been a country of origin and transit, but recently it became also a destination country for trafficked persons.<sup>6</sup> Trafficking within Romania (internal trafficking) is also on the rise as

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<sup>1</sup> The Convention and the Protocol were ratified by the Romanian Parliament in 2002 by Law no. 565/2002.

<sup>2</sup> Chapter VII – Trafficking and exploitation of vulnerable persons, Articles 209-217.

<sup>3</sup> Law no. 300/2006 ratifying the Council of Europe Convention on Action against Trafficking in Human Beings, adopted on May 3, 2005, opened for signature and signed by Romania in Warsaw on 16 May 2005.

<sup>4</sup> The agency's applicable legal framework is Government Decision No. 460/2011.

<sup>5</sup> Article 11, paragraph 1, no. 2 of the EO no. 78/2016: DIICOT has a mandate to investigate the crimes defined in Art. 210, art. 211, and art. 217 of the Criminal Code.

<sup>6</sup> Media reports indicate that Chinese workers or babysitters from the Philippines are exploited in Romania. The 2017 US State Department Trafficking in Persons Report states that: "Romania is a destination country for a limited number of foreign trafficking victims, including sex trafficking victims from Italy and Armenia" (United States Department of State, 2017, p. 363). The 2016 GRETA report mentions that "in the period 2011 – 2015, 15 foreign nationals were identified as victims of trafficking (seven from the Republic of Moldova, five from Bangladesh, one from Serbia, one from Greece and one from Poland)" (p.7). A media report highlighted exploited workers from Honduras (Popescu, 2012).

35% of identified victims were trafficked internally in 2011 – 2014, most of them children.<sup>7</sup> The most striking case of internal trafficking happened in Berevoiești, Argeș County, where 40 persons, including minors, were enslaved into forced labour over long periods of time.<sup>8</sup> Nevertheless, a distinction needs to be made between traditional labour exploitation in rural areas (children sold to shepherds, for instance) and new forms of exploitation of Romanians in other European Union countries. Vulnerable people from poor areas, with poor education and few opportunities in search for a better life end up in the EU as victims of traffickers who promise jobs too good to be true and an easy way out of misery. New social narratives are constructed by the perpetrators to legitimise trafficking and slavery as consensual agreement between partners. Trafficking is justified as a family matter and legitimate practice between lovers or spouses. DIICOT notes that “traffickers do not just sentimentally overwhelm a victim, they marry her or have children with her, which is why receiving money from the victim’s prostitution activity (legal in the destination countries) becomes justified as money for family daily expenses”. (DIICOT 2017, p.16) The distinction between trafficking and sex work is intentionally blurred to avoid prosecution as prostitution is regarded as a legitimate way to make ends meet. Already vulnerable because of poor education and abusive families, the victims believe this narrative.<sup>9</sup>

The report is based on a desk research of available official statistics, reports and independent studies, of 18 interviews with convicted perpetrators conducted in four Romanian prisons (Jilava, Rahova, Giurgiu and Constanța/Poarta Albă) and six interviews with experts, NGOs activists and law enforcement professionals. Access to prisons was allowed based on a formal approval of the National Administration of Penitentiaries and subsequent cooperation agreements between Syene Centre for Education and each penitentiary involved.<sup>10</sup> The selection of the convicted perpetrators was done by prison staff based on a profile submitted by the researcher (conviction for THB as part of an organised crime group, all types of exploitation, and willingness to participate in research). The study was formally approved by the Ethics Committee of Syene Centre for Education and all the interviewed perpetrators signed an informed consent form. At the end of each interview, without being previously informed, the interviewed perpetrators received an incentive.<sup>11</sup> The interviews were not recorded by electronic means, the researcher only taking written notes. The written notes were further transcribed into MS Word and organised according to the theme of concern (e.g. source of capital, settlement of payments). Thus, patterns were identified.

<sup>7</sup> 78% of the child victims have been trafficked internally (GRETA 2016, p. 7).

<sup>8</sup> DIICOT, Comunicat de presa, 13.07.2016 and DIICOT, Comunicat de presa 2, 13.07.2016. In 2017, the perpetrators received final sentences of between three years and five years and four months of imprisonment. One of the slaves has received damages of 15,000 lei (approximately €3,400) (Grigorescu, 2017).

<sup>9</sup> DIICOT notes “increased exposure of counties in the Moldovan area, due to low living standards and increased unemployment, victims, especially minor, coming from disorganized families with precarious education” (DIICOT 2014, p. 14).

<sup>10</sup> The author was supported in conducting this research by the Syene Centre for Education Romania, a Bucharest-based NGO.

<sup>11</sup> A notepad and one volume of *Great Encyclopaedia of World States*.



The patterns were further checked in the interviews with experts and available reports or studies.

## 1. MARKET OVERVIEW

The human trafficking market in Romania is very dynamic as the authorities struggle to control this crime. DIICOT reported 1,319 human trafficking files (involving 3,800 perpetrators) finalised with indictments in the period 2010 – 2017. In the same period, DIICOT investigated and dismissed other 4,329 would-be human trafficking files. Regarding the number of victims involved in the DIICOT files finalised with indictment, 6,470 victims were registered in 2010 – 2017 period, 35% of the victims being minors (2,262 minors).<sup>12</sup> The courts reported 2,230 offenders convicted for human trafficking in the 2010 – 2016 period.<sup>13</sup> In cases ongoing at the beginning at 2018, human trafficking represents 8% of all cases dealt with by DIICOT, coming third after drug trafficking (56% of total ongoing files in 2018) and cybercrimes (24% of total ongoing files at the beginning of 2018) (DIICOT 2018, p. 14). Human trafficking indictments (including plea bargain) constituted 15% of total organised crime group indictments in 2017, in fourth place after cybercrimes, economic crimes and drug trafficking (DIICOT 2018, p. 15). In the total number of cleared up organised crime group cases in 2017 human trafficking made up 16%, followed by smuggling, tax evasion and drug trafficking. Thus, human trafficking represents a tangible share in the overall crime market in Romania, being conducted by specialised OCGs. The domestic prostitution market involves between 23,000 and 47,000 sex workers, generating over half a billion euros. According to recent estimates, if prostitution is legalised tax revenues would reach €100 million per year (CRIDES, 2012).

ANITP annually reports about the victims of human trafficking registered in their database,<sup>14</sup> although full data on victims is available in open format only for the year 2015,<sup>15</sup> raw data being only selectively available for other years. Comparing with the DIICOT victim statistics, ANITP identified more victims through their identification mechanism (6,532 victims in 2010 – 2016 vs 5,861 DIICOT identified victims, in the same period). The number of victims is even greater if one considers the 2015 Eurostat report which highlights that “Bulgarian and Romanian citizens were also most likely to be registered in another EU country as victims of trafficking” (Eurostat, 2015, p. 34). Only for 2010 – 2012, Eurostat (2015, p. 35) reports 6,101 Romanian victims registered across the EU (Romania is on the first place as per number of victims). Large

<sup>12</sup> Data compiled from DIICOT annual activity reports. In its 2014 annual report DIICOT provided regional victims statistics on human trafficking and smuggling in migrants’ altogether, although more than 90% of the victims come from human trafficking files.

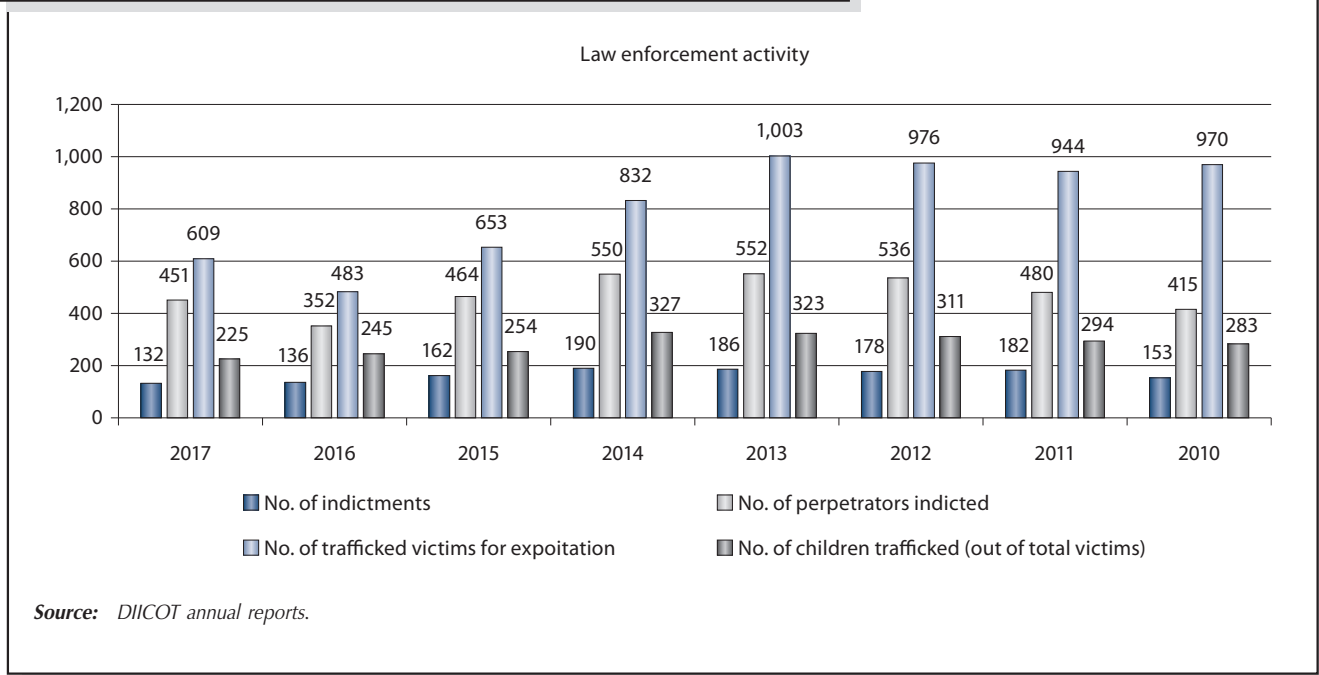
<sup>13</sup> Data compiled from the US State Department annual trafficking in persons report.

<sup>14</sup> National Integrated System to Monitor and Assess Trafficking in Persons (SIMEV).

<sup>15</sup> Open data available here: <http://data.gov.ro/dataset/victime-traffic-de-persoane-2015> (full data on victims).



**FIGURE 1. MAIN STATISTICAL INDICATORS REGARDING HUMAN TRAFFICKING PROSECUTIONS 2010 – 2017**



numbers of Romanian victims (over 400 in 2010 – 2012) were reported in UK, Italy, Spain, France, and Germany.

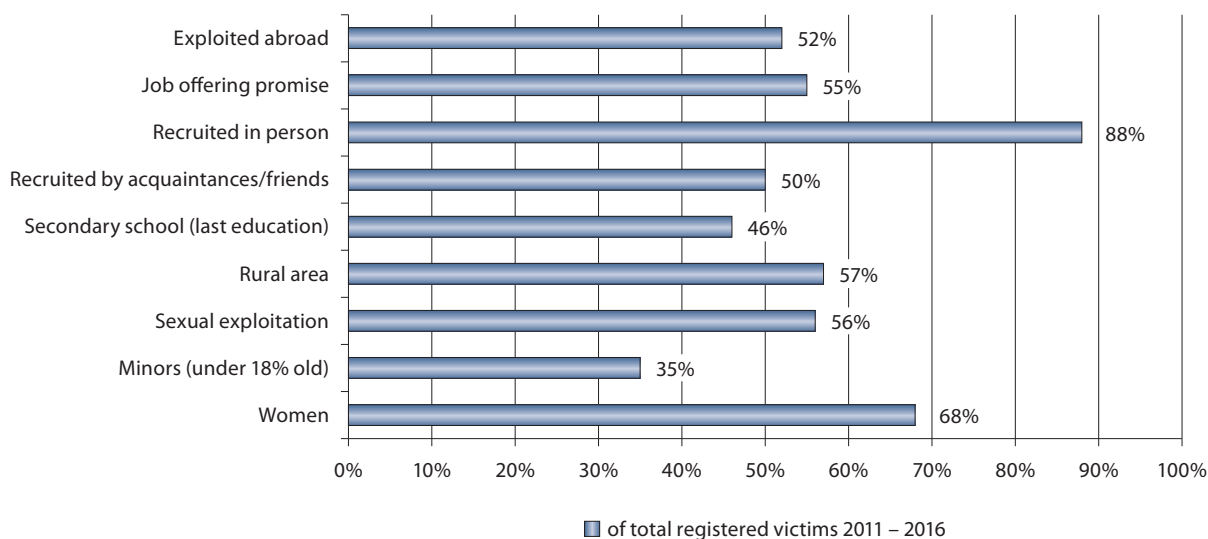
Victims are from all over Romania, rural and urban, men and women, trafficked inside or outside Romania. In the period 2011 – 2016 most of the victims were women (68%), half of them girls/minors. In respect to men (32%), only 10% were boys/minors. The main type of exploitation was sexual exploitation (56% of the victims), followed by labour exploitation (31%), begging (7%) and other forms of exploitation (forced theft, failed exploitation, etc.). Most of the victims came from rural areas (57%).<sup>16</sup> Considering the level of education, most of the victims (46%) had completed lower secondary education (5 to 8 grades), followed by upper secondary (26%) and primary (14%).<sup>17</sup> Regarding age, 33% of the victims were in the 18-25 year-old cluster, while 32% were 14-17 years old. The next relevant age cluster (18%) were those 26-40 years old. Considering the type of family background, 53% of the victims were raised by both parents and 28% by single parent, with 14% raised in foster homes and abandoned.<sup>18</sup> Half of the victims were recruited by acquaintances or friends and 33% by individuals not previously known to them, 10% were recruited by family (including parents) or spouse/partner. Other recruiters included neighbours and pimps. The most common recruiting promise was foreign job offering (41% of victims), followed by prostitution and pornography (24%), and domestic job offering (14%). Most of the victims

<sup>16</sup> 43% from urban areas. ANITP provided in their reports specific data on rural/urban scale only for the years 2011 – 2015. Nevertheless, from the interviews it seems the trend did not reverse.

<sup>17</sup> Data compiled from ANITP report for the years 2012 – 2016, the only years from which raw data on victim’s education were available.

<sup>18</sup> The data are for 2016, the only year for which ANITP provided raw data.

FIGURE 2. PROFILE OF THE VICTIMS



Source: ANITP annual reports.

were recruited in person (88%), 3% by newspaper advertisement and 2% online. Romania is the preferred country of exploitation (internal exploitation), with almost half (48%) of the ANITP registered victims in the period 2011 – 2016 exploited in Romania. The other half was exploited abroad, top five destinations including Italy (14% of total registered victims), Spain (11% of total registered victims), Germany (9%), Greece (4%) and UK (3%).<sup>19</sup>

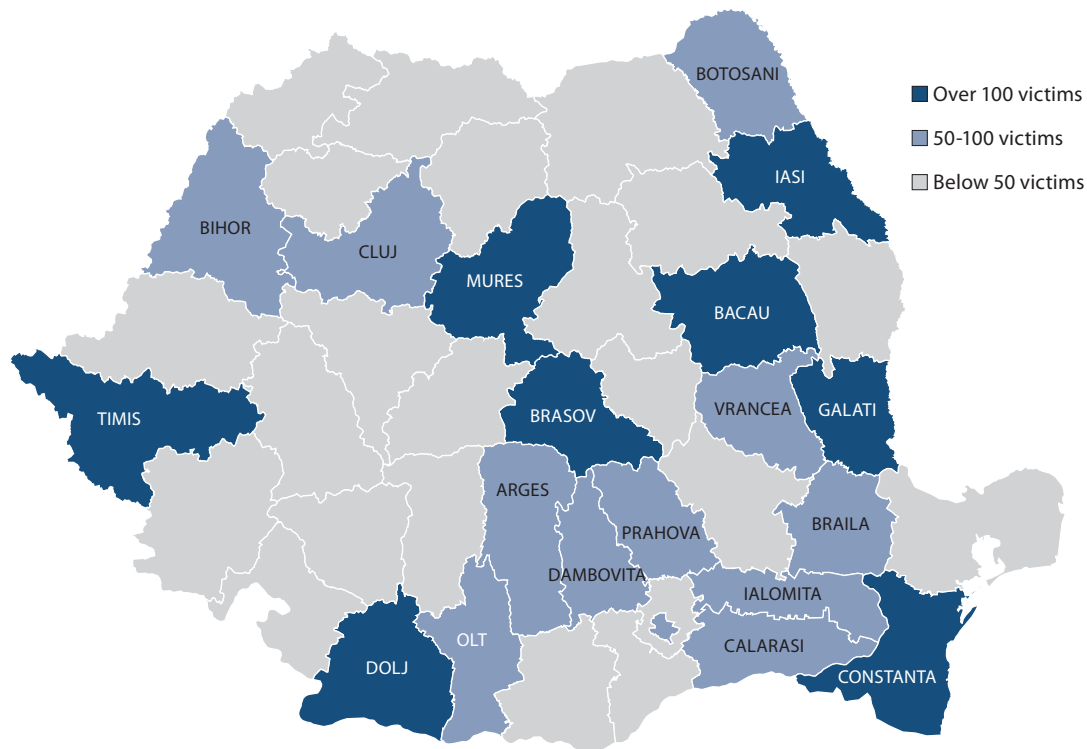
Sexual exploitation is the main mode of exploitation as there is a high demand in Europe for sexual services, with large consumer countries (cities where sex city breaks are being organised with dedicated low-cost flights). In some countries, sex work/prostitution is legalised, while in Romania it has an unclear legal status (it is no longer incriminate, but subject to an administrative fine) (RO-E4 and Sandu, et al., 2017). Regarding labour exploitation, trafficked workers are exploited in agriculture (72%), begging (11%) and construction (8%).<sup>20</sup> Labour exploitation is less represented in statistics for cultural and law enforcement reasons (RO-E2). Men typically do not consider themselves victims of human trafficking. They interpret exploitation as deception and are reluctant to submit complaints, thinking worse things happened in life. Labour complaints are submitted by Romanian workers in the country of exploitation and they are prosecuted by other countries' agencies or law enforcement agencies in Romania consider the crime as deception. This happens as labour exploitation is seen mainly as a labour matter, a civil dispute. The other reason is that deception is more easily prosecuted, the evidence for trafficking being hard to obtain.

<sup>19</sup> The data cover the period 2011 – 2016, raw data being available.

<sup>20</sup> ANITP 2012 and 2013 raw data.

Almost 30% of the victims in 2013 – 2016 period originate from five Romanian counties.<sup>21</sup> Dolj (177 registered victims), Constanta (173 victims), Brasov (172 victims), Mures (172 victims) and Timis (122 victims).

FIGURE 3. HUMAN TRAFFICKING MAIN RECRUITING COUNTIES



Source: ANITP annual report.

Although there are not many studies of the sex market in Romania, those available suggest that there are 23,000 to 47,000 sex workers in Romania (Sandu et al., 2017). ANITP and DIICOT statistics reveal that half of the trafficking is cross-border and half is domestic.<sup>22</sup> Commercial sex is still regulated by legislation on public morality.<sup>23</sup> There is no public record of the number and level of fines applied to sex workers, qualitative data indicating that on average a sex-worker receives 3-4 fines daily (Sandu et al., 2017, p. 4). The qualitative data indicate that “sexual workers tend to adopt a pattern of temporary or circular migration in Western European countries for a few months to a year to supplement their income” (Sandu et al., 2017, p. 3). Massage parlours and video-chat business are legal, but loosely regulated. According to media reports, cybersex workers may earn up to €4,000 monthly as

<sup>21</sup> Romania has 41 counties.

<sup>22</sup> ANITP reports.

<sup>23</sup> Art. 2 of Law no. 61/1991 – inviting persons in public places, under any form, to engage in sexual intercourse in order to obtain material benefits, as well as urging or compelling a person, for the same purpose, in committing such deeds shall be punished by a fine of 500 to 1,500 lei (€111 to €333).

international webchat companies open subsidiaries in Romania (Pressly, 2017). Nevertheless, average income is lower, below €1,000/month, as suggested by video chat companies (Glamour Studio, March 30, 2016). Sex-workers are considered deviant, thus treated with hostility by family and with enmity by public authorities. Social stigma and self-stigma prolong marginalization, lack of access to public goods such as social assistance, healthcare, and protection as sex workers are reluctant and even afraid to report to the authorities abuses against themselves (Sandu et al., 2017). In a recent case, a minor victim of human trafficking recognised a police officer with whom she had sexual intercourse and declared he threatened to fine her for having sex with him (Tolo.ro, January 30, 2018). Marginalization thus makes sex workers easy victims to human traffickers. ANITP statistics on victims reveal that 24% of the victims are approached by the recruiter proposing a prostitution job. Thus, we may infer that sex-workers may be vulnerable to such offers.

## 2. MARKET STRUCTURE AND SOCIAL ORGANISATION OF TRAFFICKING NETWORKS

OCGs in Romania tend to have either a sophisticated structure with units having specific tasks and expertise, or to be loose networks with simple structures (DIICOT, 2018, p. 18). Human trafficking OCGs tend to fall in the second category, being networks linked by family, kinship or ethnic ties. Several of the OCGs identified in the research were ethnic/clan based (Roma) groups, other were mainly profit oriented groups without an ethnic base – association of former neighbourhood acquaintances and friends, or common criminal background. Almost all the groups, during their life-span, operated in Romania as well as cross-border. Most of the perpetrators interviewed reported that their network was composed of relatives and friends. In the RO-C8 file, 80 perpetrators were involved from the same family (parents, children, uncles, aunts, cousins). In the RO-C2, RO-C4, RO-C12 files, the perpetrators also had family ties (cousins, extended family). The majority of traffickers are male but perpetrators reported that some of the victims were given a higher status to recruit and supervise other lower level victims. RO-C9 (perpetrator) used his first victim to recruit other three women, all of them living with him and prostituting in the same apartment. Although part of a larger group, each member had his own group of victims. Such women groups are extremely unstable as victims come and go, they fight and regroup. RO-C15 allegedly started a relationship with a “girlfriend” who prostituted for him and brought in another two “friends” to prostitute together. RO-C15 said he had up to eight women in exploitation in the same time, in different European countries (Germany, Austria, Belgium, Italy, and the UK): “in the beginning they fall in love, they want to give everything to their lover.” Romanian perpetrators operate with small and mobile groups of victims, supervised by few members. The sexual exploitation trafficking business model changed in last years to make it safer for the

perpetrators. The traffickers marry their victims, even having children with them, arguing when prosecuted that they have a consensual agreement to prostitute in order to have an income for the family. Lover-boy continues to be the most used recruiting method for sexual exploitation (DIICOT, 2017, p. 16).

The prostitution market in Romania is structured by the location in which sex is being conducted: street prostitution, indoor prostitution (apartments/villas, massage parlours, clubs/hotels), escort and video-chat, with many sex workers abused and trafficked (TAMPEP, 2002 – 2004, pp. 305-307). According to the interviewed perpetrators, the distinction is only relevant for the level of comfort and hygienic conditions, OCGs penetration and prostitution practices/sex work being similar.

At the same time, these groups are extremely violent. RO-C4 said his clan is the most violent in the city, committing also murders. They intimidate, coerce and beat victims who do not obey. RO-C8, RO-C9, RO-C10 admitted using violence against the victims from time to time. They also put psychological pressure on victims, make them dependent of different substances (drugs, alcohol). They use violence also against law enforcement or competing clans. RO-E1 gave example of a prosecutor investigating a crime group: “after a day into the office protecting a victim and arresting several perpetrators, minutes after parking her car in front of the house, the car was damaged and decorated with a funeral floral crown.” RO-C16 reported stories of the fights among clans for controlling territory.

The labour exploitation OCGs tend to be more sophisticated at least in the recruitment phase. They use commercial entities to place workers abroad and promise attractive salaries (\$1,500 monthly, for instance),<sup>24</sup> good working conditions, free accommodation and transport. Once in location, identity documents are seized under the excuse of drafting labour contracts. After they start working the victims are not paid, entering into a debt trap. The victims are told that the agency/the trafficker incurred several expenses bringing them to the work place (transport, accommodation, commissions, paperwork) and demand reimbursement. Thus, the victims’ first salaries are not paid in order to cover the trafficker initial expenses that are in fact overrated. The workers are left without money and the trafficker continue to cover their accommodation, transport and food, putting new overrated debts on their shoulders. Thus, the victim enters into a never ending cycle of dependence.

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<sup>24</sup> A 2015 DIICOT file.

### 3. FINANCING AND FINANCIAL MANAGEMENT

#### 3.1. Source of capital for initiating/sustaining criminal operations. Access to capital in critical moments

The perpetrators interviewed had connections with the criminal sector before engaging into human trafficking operations. Several perpetrators had been previously convicted for other offenses,<sup>25</sup> while the rest of the perpetrators were familiar with criminal practices.<sup>26</sup> The perpetrators reported that the initial capital is very low, most important being the abilities and knowledge of the territory/criminal environment. Some of the perpetrators entered the business with the help of a friend or a relative,<sup>27</sup> while the rest did it on their own. In order to begin a human trafficking for sexual exploitation undertaking, a place and victim is usually needed. RO-C12 started human trafficking as a way to diversify his real estate business which was in a downturn after the 2009 – 2010 economic crisis in Romania. The perpetrator established a hospice care in a particular location, but as debts continued to accumulate, in search of new opportunities, he was informed by a friend that prostitution was legal and it was very profitable business in Austria. Also, the friend recommended that he contacted another person in Austria. After a visit to Austria and a thorough training on the business specifics, RO-C12 started to recruit women, especially from his hospice care and from rural areas nearby, promising them a better life. His initial costs for establishing the activities in a foreign country were:

- recruiting costs (mainly transport to victims' locations and petty cash payments – €100);
- beauty salon costs and clothing (€1,000);
- transport to Austria by car (gasoline costs – €100 one-way);
- apartment rent (€1,200) and the initial deposit (€1,000) – in one apartment two or three victims were usually accommodated (the victims did not prostitute in the apartment, only in the clubs);
- medical tests and paperwork for independent worker license (€100) – according to the perpetrator the medical tests were run weekly and each victim had a medical insurance – (€50/week/person); the initial paperwork tour was subcontracted to an intermediary for €1,500/woman.

Thus, the perpetrator estimated that the initial costs were approximately €5,000 covered by his own savings, not borrowed. The perpetrator did not report costs for placing the victims in clubs.

RO-C2 reported that a victim transporter was paid €500 per transport, excluding gasoline (approximately €300 per round trip by car from

<sup>25</sup> RO-C3 and RO-C8 – theft; RO-C12 and RO-C4 – violence; RO-C10 and RO-C18 robbery; RO-16 car theft.

<sup>26</sup> RO-C1 and RO-C11 run a business in an area known to be infiltrated by organised crime, RO-C2, RO-C6, RO-C7, RO-C9, RO-C13, RO-C14, RO-C15, RO-C17 were raised in a criminal environment – family/foster home, neighbourhood, RO-C5 worked in a law enforcement agency.

<sup>27</sup> RO-C1, RO-C2, RO-C3, RO-C6 RO-C9, RO-C10, RO-C12, RO-C13, RO-14, RO-C15, RO-C17.



Romania to Germany). In RO-C9 and RO-C13 cases, the family (father, uncle and/or cousins) was involved in human trafficking so the initial costs were covered by the family. RO-C10 reported that in order to begin trafficking in Romania one needs €700 for the apartment rental and €150 for advertisement and clothing. In RO-C14 case, the perpetrator's initial cost consisted in renting an apartment in Romania (€300/month + half of a month rent as initial deposit = €450). The customers, mainly tourists, were identified by taxi drivers and accompanied at the location (for these services the taxi drivers were given 50 lei [€10] per client). In RO-C15 case, the initial costs were also related to renting an apartment in which sexual exploitation took place (the apartment was also located in Romania, so the initial cost was €500). In RO-C16 case, the perpetrator used the victims for street prostitution. The perpetrator reported that he did not pay for the place on the street because of his connections into the underworld clans ("on the street you need to have protection"). His initial cost was apartment renting, one apartment accommodating two-three victims. The perpetrator reported that the victims took care of their looks on their own (no beauty salon expenses were reported).

The perpetrators reported that newcomers did not buy victims but did the recruitment themselves mainly through the lover-boy method. RO-C16 said: "it's a stupid thing to sell/buy women, if you do not convince the girl you do nothing." Victims are recruited from poor neighbourhoods, from rural areas by promises and deceit. Through the lover-boy method, the perpetrator gives excessive attention to the target (a vulnerable person), buy herself presents, take her out, and exhibit his prosperity in order the victim to fall in love with him/care for him. The second step is to take the victim to live with him and to manipulate her to prostitute for him in order for them to live a comfortable couple life: "I get a babe, I suggest that she does prostitution to maintain our relationship, but also for helping her family with money" (RO-C10). The lover-boy method is based on the creation of a dependency (emotional but also different substances are used)<sup>28</sup> and psychological manipulation. The victim recruited by this method is called "wife." RO-C13 reported he had an official wife (not practising prostitution), a minor whom he married traditionally and from whom he was unable to divorce without being expelled by the community and clan, and a second "wife" used for prostitution. He reported he had to split every week between the two wives: he told to the second that he is forced by tradition, community, clan and family to stay with the first and he told to the first that he has to stay with the prostitute in order to raise money for the family. In RO-C17 case, the perpetrator was a drug addict youngster who recruited a drug addict victim that used to prostitute for drugs. The perpetrator was helped by a friend to start the business. The friend lent him money to rent an apartment and cover the initial investment: a professional photographer who took pictures of victims, costs of the ads in newspapers and a website. Thus, the initial investment was around €1,000.

<sup>28</sup> Alcohol, drugs, but also substances to enhance sexual pleasure so the victims to experience pleasure only with the perpetrator (RO-C4 and RO-E4).

The lover-boy method is used both by individual traffickers and by traffickers that are part of an organised crime group (RO-E2). RO-C18 (perpetrator) was part of a criminal group, his role being to recruit victims by the lover-boy method, maintain contact with them during exploitation and collect the money. After recruitment, the victims were sent by the other group members to Spain, Greece, and Italy. Each victim thought she was into a relationship with him (the three victims did not know each other) as they talked weekly by phone and he paid them regular visits (approximately four visits per year): "I had to be very careful so that they did not find they are a group of girls because otherwise jealousy would spoil things. You must be all for them. I have grey hair of too much talking on the phone with each girl until 2-3 o'clock in the night. Everyone would tell me her day to day problems." In the case of RO-C11, the perpetrator recruited the victim but having problems in renting an apartment and convince her to prostitute, he sold her for 300 lei (€65) to a trafficking group.

The RO-C8, RO-C4, RO-C3 cases involved perpetrators with a criminal record, part of well-established organised crime groups with different types of criminal activities.

After being involved in human trafficking no perpetrator reported the need for extra money to sustain the activities. The perpetrators reported huge profits from sexual exploitation starting from day one. Several perpetrators used the money from sexual exploitation to lend other perpetrators (usury practices among criminals). RO-C3 (perpetrator) reported that he was still owed some money and he planned to get it back after being released from jail. Law enforcement officials (RO-E4) report that the perpetrators are helped with money while in prison by the members of the group that managed to avoid prosecution. In one case the perpetrator that avoided jail time had to support 10 members of the group in prison (by regular money transfers).

In case of labour exploitation, the initial costs are comparable with those of sexual exploitation. In the RO-C7 case, the perpetrator recruited seven persons from his neighbourhood in Romania and promised them work in Spain. The initial investment per person was €220: €120 for the flight ticket and €100 for incidental expenses. The money was lent by the perpetrator and the victims had to repay him from their first salaries. Once in Spain, the victims were taken by an intermediary and they had to reimburse the money for daily accommodation and transport from their salaries. Accommodation and transport were provided by the intermediary in Spain (a member of the trafficking group), the victims being unable to travel without "assistance" or look for jobs themselves. Each day, those in need of workers would come to the accommodation location and select the desired workers (like a slaves' fair). The salaries were paid by those in need of workers to the Spanish intermediary, but the Spanish intermediary did not pay the workers because of their "debts."

### 3.2. Settlement of payments

In case of sexual exploitation, the perpetrators report a 50/50 share with the victim, but this is hardly the case in practice. There are two main types of control over the victims: daily monitoring (when the victim is controlled daily by the perpetrators or his agents in domestic or cross-border environments) and emotional control (when the victim has a certain degree of freedom of movement and of reporting the revenues).

In daily monitoring case, victims are left only with the clients' tips. The perpetrator takes all the money from the victim on a daily basis and provides weekly allowances for cigarettes and food instead. Perpetrators also buy clothing and makeup for victims (also drugs, alcohol, etc.). From time to time the perpetrator gives the victim several hundred euros to send to her family in Romania (approximately €150-200/month) (RO-E3). Thus, the family in Romania (sometimes a child) has just enough to survive from one month to another and the victim is kept in dependence. They are also emotionally blackmailed: according to phone tapping, traffickers speak nice to the victims, tell them they love them, they cannot live without them: "without you I am nothing," "you are my life", for instance. They also remind them of their children, giving free days and money to visit relatives in Romania (RO-E4). In emotional control cases (lover-boy method), the victim believes she is in a relationship with the perpetrator and she willingly reports and surrenders the revenues to the perpetrator.

RO-C2 reported that the victims would hand over to him in the morning all the money raised overnight. RO-C10 reported that his share was 75% and the victim's share was 25%. RO-C12 reported he kept all the money but he gave money to the victims when needed. RO-C13 reported having eight victims exploited in the same time, under the same roof (a villa rented for this purpose) and all the money was administered by himself (he registered on a notebook the money earned by each victim; the money earned during the day was collected each evening). RO-C15 said all the money was kept inside the house, in a safe place known also by the victims (three women): "everybody took from there as much as they needed." RO-C16 reported that the victims brought daily all the money to him. RO-C18 (a lover-boy) said that all the money was wire-transferred to him (Western Union, Money Gram, bank account) or handed over in cash during his visits. The wire-transfers were rapidly exchanged into cash.

Victims are also kept addicted to different substances, such as drugs (cocaine, marijuana), cigarettes, and alcohol. RO-C4, RO-C6, RO-C9, RO-C13, RO-C15, RO-C17 (perpetrators) admitted using drugs for themselves and the victims. RO-E3 encountered a victim who used to drink two litters of vodka with Red Bull energizer daily.

The level of income from sexual exploitation depends on the country in which exploitation takes place (Romania, Spain, UK, UAE, etc.), the season (winter/summer), the place of exploitation (club, street, hotel,

etc.), the day of the week (weekends tend to be more expensive), the type of sex and the physical appearance of the victim (beauty and age, minors generally being more expensive). In the interviews with the perpetrators several estimates on the average level of income per victim were provided. The perpetrators in the sample trafficked victims for sexual exploitation in Romania, Austria, Spain, UK, Italy, and Greece.

In Romania the average prices for sexual intercourse are 50 lei (€11) for oral sex and up to 200 lei (€44) per hour for normal/vaginal sex. The prices are lower on the streets and higher in apartments or massage parlours. There are exceptions and the so called "luxury" services may reach up to €200/hour (RO-C4, RO-C9, RO-C13, RO-C15, RO-C16, RO-C17). The number of clients per day in Romania is five to ten in an apartment/parlour and up to 20 on the streets, depending on the season (in summer, street prostitution is more active than in winter). The perpetrators reported that in Romania a victim earns between 700 lei – 1,000 lei (€155-€220) and 2,500 lei (€550) per day (2,000 lei [€440] being the average reported by several perpetrators). For an entire month, the perpetrators report 20-25 working days (free time, period, etc.). Thus, a victim exploited in Romania earns on average 30,000 lei (€6,660) per month (around €70,000 per year).

Abroad, in the European Union, prices are higher. In Austria the price is between €50 to €100 per sexual intercourse in clubs, a usual Romanian victim having between three and ten clients per evening. The perpetrators calculated an average to €500 per night per victim (although they also reported earnings of €1,000/night). The victim also earns a share from the client's orders of drinks at the bar (usually 10%). With an average 20 working days, each victim makes around €10,000 per month (€120,000/year). In Greece, the prices for sexual intercourse are lower but there are more clients. According to RO-C18 (perpetrator), in Greece there are brothels having a seven-euro entry fee for less than ten minutes of sexual intercourse. The perpetrator reported that the Romanian victims earned €300-500 per day, around €8,000 per month and €90,000 per year. In Spain the prices are between €60 to €100 in clubs/apartments (depending on usage of condoms or not) and €20 to €60 in the street. In clubs/apartment up to five clients per day are serviced, while in the street the number of clients goes up to 20 on average. So, an exploited victim generates €400 per day, €8,000/month and €90,000 per year. In the UK, the prices are in pounds sterling and they reach from £60 to £100 per sexual intercourse (depending on usage of condom). A victim may earn £500 to £700 per day at a hotel, having five to seven clients. RO-C3 reported that with four victims in the UK he earned on average £2,500/day. So, a victim generates on average in UK an income of £12,500/month, and £135,000/year (€150,000). RO-C10 (perpetrator) reported that over a period of three months in Italy he had an income of €50,000 with one victim. RO-C6 (perpetrator) reported the prices in Italy to be €30-€100 per sexual intercourse, with an average for 10 to 15 clients per day (€15,000/month, or €150,000/year). RO-C15 (perpetrator) reported cashing €200,000 from a victim in two years abroad. The sums above are estimates from the perpetrators point of view and memories and they should be taken with precautions as the perpetrators do not stay one

year into the same place and the victims are not exploited continuously (some leave or escape, get sick, etc.). The perpetrators in our sample exploited between 3 and 24 victims at the same time.

The income from selling victims for sexual exploitation also depends on the country of selling (selling abroad costs more than in Romania), the availability of passport (victims with passport are more expensive), age (minors are preferred), the person selling the victim (parent or trafficker) and physical appearance of the victim and the emotional status (e.g. offended, nervous). Victims are sold by recruiters (lover-boys) to organised crime groups and between organised crime groups. Nevertheless, there are instances when victims are sold by their own parents or caregivers to organised crime groups. In our sample, six perpetrators acknowledged selling victims to other traffickers/groups, except RO-C11 who said the acts he was indicted for were not real (namely selling a victim for €65). The price for a victim ranges between €400 and €8,000. RO-C17 reported recruiting and selling runaway teens to other traffickers for only €400. RO-C2 reported buying a teenage girl from her father for €3,000 (the girl had been transported by her father to Austria). RO-C3 reported kidnapping and selling teenagers to Albanian OCGs for up to €8,000/person. On average a victim for sexual exploitation costs €1,000-€2,000. As mentioned before, the numbers reflect the perceptions of the perpetrators. RO-E3 said that victims can be sold for as low as 100 lei (€20) and as high as €5,000.

In case of labour exploitation, the work of a farmer or of a construction worker is paid by €45-60/ working day (RO-E4). This money is not fully paid to the worker as the perpetrators keep most of the money to cover previous so called debts of the worker, and costs of accommodation and transport. Sometimes, the workers are guarded not to escape, are beaten to comply and their identity documents are seized by the perpetrators. They live in very poor conditions, with no medical assistance and work up to 15-17 hours per day. Several cases of Romanian workers enslaved in Italy were reported in 2017 (Antena3.ro, October 5, 2017; Dancu, 2017; Stoica, 2017). The workers are paid one euro per hour while the perpetrators keep the rest of the €50. Perpetrators can make a profit of €1,400 per month (around €15,000 per year) from only one worker. The monthly income from an enslaved worker is far less than from a sexually exploited person. Nevertheless, labour exploitation involves a higher number of victims at the same time<sup>29</sup> and is less risky than the sexual one as the authorities register such cases as tax fraud or labour disputes.

### 3.3. Costs of doing business

In case of sexual exploitation, the perpetrators' costs are related to accommodation and transport of the victims, commissions for wire-transfer (Western Union, MoneyGram), activities to keep the victim

<sup>29</sup> Thirty-five victims in an Italian case uncovered in October 2017.



dependent (club hang-outs, substance addiction, money to be sent to their families, cigarettes, food, clothing and makeup costs), guards' salaries to monitor the victims, licenses/authorisation and regular medical examinations, if any.

- When abroad, the victims are usually accommodated in a different place than the one in which they are exploited. The accommodation costs range between €700 and €1,800 per month and include rent and utilities (for three or four persons). These costs are paid by the perpetrators. In Romania, the victims are accommodated in the exploitation venue, the costs being up to €400/month including utilities (from 4 up to 12 persons accommodated in one apartment). Transport is done either by car or by low-cost air travel.
- The monthly costs for food and cigarettes were estimated to €200/per victim abroad; in Romania these costs are around €50.
- The cost of money sent by one victim to her family is €200/month (RO-E2 and RO-E3); moreover, the victims exploited in Romania are not allowed to send money home.
- RO-C12 perpetrator reported spending up to €1,500 weekly for clubs hang-outs, clothing and substance addiction for three victims.
- The costs for guard are up to €700 per month. RO-C2 was recruited as a guard and promised €700 per month to keep an eye on the victims. He stayed in a two-room apartment in Vienna with three of the victims, one being a minor.
- Medical costs were mostly skipped as the victims did not have access to healthcare. In few cases where perpetrators reported medical costs, they were up to €100/month. In some cases, in order to resemble fashion models, perpetrators invest in plastic surgery for the victims: increasing breast size, Botox injections (RO-E4).
- Promotion costs: internet (€10/month), ads (€10/ad), professional photos (€30/individual short session-15-20 photos), video-chat equipment (€75-€100/professional webcam), etc.

Regarding bribes, the perpetrators with activities abroad reported that bribes were not paid (e.g. as RO-C2 claims: "Austrian police do not accept bribes"). In Romania, regular bribes are paid to law enforcement and local politicians. RO-C15 established a massage parlour as a cover-up for human trafficking and he reported that he had to contribute monthly to the police €1,000 (in summer) and €500 (in winter): "the police came every month in order to collect the money during controls. They say the money is shared with those from the organised crime unit. You cannot do such business without police protection." The relationship between government officials and human trafficking perpetrators is currently a high topic on the public agenda in Romania as a recent journalistic investigation uncovered a human trafficking file involving police officers, intelligence officers, public servants, and prosecutors (Tolo.ro, January 29, 2018; Tolo.ro, February 1, 2018; Tolo.ro, February 3, 2018). RO-C8 (perpetrator) said he was a police informant and developed his criminal network under the protection and supervision of police chiefs (his marriage godfather being an influential police chief). He allegedly paid €5,000 to a prosecutor to drop charges against his son. RO-C3 admitted his trafficking operation benefitted from the protection of a member of



parliament who was offered money and prostitutes for free. He also declared paying regular bribes to local authorities (municipality and police). The relationship between civil servants/politicians and human trafficking networks is entrenched as reported by experts and media scandals.<sup>30</sup> RO-E2 and RO-E3 reported that local authorities are involved in trafficking networks, especially the police, oversight agencies and child protection services under the county councils (DGASPC). DGASPCs are called the “entrance of hell” as minors under their care are recruited by traffickers with the knowledge and sometimes help of the staff and managers.<sup>31</sup> Even when the staff does not receive financial incentives from the perpetrators, they turn a blind eye for fear of losing their job.<sup>32</sup> Other cases of public officials involved in THB have also been detailed in the Council of Europe’s Group of Experts on Action against Trafficking in Human Beings (GRETA, 2016, paragraph 188).

Taking into account the above mentioned costs, the average monthly business costs for a victim are €1,000<sup>33</sup> abroad and €200 in Romania (for accommodation, transport, meals and bribes). In case of large, very specialized criminal undertakings the costs for video-chat hardware and software equipment’s may go up to €30,000 or more, not to mention the plastic surgery works.

In case of labour exploitation, the initial travel costs and monitoring costs are the most relevant ones. Once in the exploitation venue, the workers are forced to work in order to pay back their real or overrated debts. The costs for accommodation and meals are also exaggerated by traffickers so that the victim would be unable to cover his/her debt irrespective of work effort. Monitoring workers involves physical abuses, threats, and movement restriction. RO-C7 reported that the victims were charged ten euros per day for accommodation and transport expenses. Nevertheless, the victims were paid for their working days even 45-60 days after they completed work, making them borrow money and entering into a never ending cycle of dependence.

### 3.4. Profits and profit sharing

In case of sexual exploitation, the profits are mainly used for luxurious lifestyle and investments in real estate and cars. Almost all profits are deposited or invested in Romania.<sup>34</sup> Profits are also used to establish legal businesses, but these businesses are mainly established to recruit victims (e.g. clubs, recruitment agencies) or cover up human trafficking

<sup>30</sup> Cases reported by media (Ciuperca, 2017).

<sup>31</sup> DGASPC Dambovită file (DIICOT 2016, p. 105).

<sup>32</sup> For instance, the staff do not report to the police when minors come back to their room late at night, wearing new clothes and having in their pockets expensive mobile phones. The cases are not reported even when the victims complained they were raped and beaten. According to a Government Note 66 children in the custody of child protection units have been trafficked in 2015: [http://www.sgg.ro/legislativ/docs/2016/06/bz6nd\\_p9v3mhqw80ys7f.pdf](http://www.sgg.ro/legislativ/docs/2016/06/bz6nd_p9v3mhqw80ys7f.pdf)

<sup>33</sup> This amount includes: €300 (accommodation and utilities) + €200 (food and cigarettes) + €200 (money for families) + €200 (guards and security) + €100 other costs (e.g. medical tests).

<sup>34</sup> Ninety percent, according to RO-C4’s estimate.

operations and launder crime money (e.g. real estate). Crime money are also lent with interests to other persons for a certain period of time, but this practice is not entrenched as the perpetrators are extremely mobile and it is hard to pursue debtors from abroad (RO-E4).

Lifestyle is a critical issue reported by all the perpetrators and experts interviewed. RO-E4 called the perpetrators “termites/white ants” as the profits are immediately spend on bets, restaurant meals, and private concerts: “In general, the Romanian trafficker lives for the day, the money is used to flatter their vanity.” RO-C2, RO-C10 and RO-C12 (perpetrators) reported losing money regularly to sport bets (up to €1,000 per month), RO-C6, RO-C13 and RO-C15 to casino gambling (especially roulette, up to €4,000 lost one night). RO-C2 described the perpetrator for whom he worked for as a spendthrift: “he was paying for the drinks for everyone in the bar.” RO-C12 spent money in restaurants hosting concerts of Romanian singers famous to the underground world (he declared giving €3,000 to such a person to sing several songs at his table). RO-C15 declared paying €8,000 for an hour for singing at this restaurant table. RO-C6 also admitted spending large sums of money in restaurants, paying fiddlers to play at his table. RO-C4 alleged to know traffickers who gave €20,000 to such fiddlers. Luxury clothing, watches, mobile phones and perfumes are also among usual goods bought by the perpetrators.<sup>35</sup>

Real estate and cars are predominant investments (RO-E4). RO-C3 declared he invested the profits in apartments (for a single room apartment he allegedly paid €28,000, for another one €60,000), holidays homes, luxury cars and land in Romania. RO-C6 invested in real-estate. RO-C8 claimed to have invested in two apartments, one villa and several cars (but the assets are not registered on his name). RO-C12 declared he used crime money to buy two new cars: a BMW and a Peugeot. RO-C15 said he bought a brand new Range Rover for €55,000, a house and gave loans with interest to acquaintances. Cars may be included also into the lifestyle budget as they are bought with the intention to signal wealth and status.<sup>36</sup> RO-C16 bought a Range Rover Phantom though he did not hold a driving license. He also bought two houses. These investment choices need to be understood in the context of the regulation of cash payments which had not been capped before 2015 (more on this in section 5 below).

Infiltration into the legal economy is another development line for criminals. To launder money and cover up trafficking operations, RO-C3 has set up legal businesses – a club/discotheque, in which he allegedly invested €87,000, and a construction company, in which he allegedly invested €80,000. The perpetrator claimed that business was conducted legally, all taxes were paid, and he was regarded in the community as an honourable entrepreneur. In fact, his trafficking operations were located 100 km away from the business offices, in a hotel in a different county. As he reported, the club did not make any profits, but no big

<sup>35</sup> As reported by RO-C4, RO-C5, RO-C15, RO-E4.

<sup>36</sup> As reported by RO-C4, RO-C5, RO-C6, RO-C8, RO-C12, RO-C15, RO-E2, RO-E4.

losses either, being used mainly as a victim recruiting facility. Vulnerable women/girls were identified by the DJ and invited to the perpetrator's office, who promised them a better life. The construction company was used to launder the proceeds of crime. RO-C5 – a perpetrator and former law enforcement officer – also owned a club and a construction company. He trafficked aboard his former employees (four women) and intended to use the profits to construct a building. The victims transferred €86,000 to his name (using Western Union and MoneyGram). On this money, the perpetrator bought land and construction materials before being prosecuted. RO-C8 established real-estate agencies, construction companies (building houses and office buildings) and fast-food restaurants, using crime money. RO-C15 established a massage parlour as a cover-up for human trafficking. Different traffickers used the place to exploit their victims, including under 18 year-old girls. RO-C4 confirmed that almost all massage parlours are managed by organised crime groups and are a cover-up for sexual exploitation. In 2013, a massage parlour received a fine of 25,000 lei (about €5,600) and was ordered by the court decision to close (GRETA, 2016, paragraph 172). Other typical businesses are beauty salons, car wash facilities and video-chat (RO-E2, RO-E4). RO-C16 opened a hair salon in which he invested €5,000.

Famous and expensive lawyers are commissioned to defend the perpetrators in court. RO-C3 claimed to have paid €22,000 to defence lawyers. RO-C2 nominated two famous lawyers in Romania allegedly hired to defend him. RO-C17 also complained about the costs of lawyers. Some media have reported an increase of the market for defence lawyers (Enache, 2014).

Other sums are given as gifts by the perpetrators to ensure future loyalty by their close relatives, clan or group (RO-E4).

The perpetrators prefer to hold the money in cash and smuggle it into Romania by themselves or through Romanian bus drivers. RO-C15 preferred to hide the money in his house (e.g. €50,000 were hidden in a flower pot, in a bag and €65,000 were hidden in a chair). RO-C3 brought into Romania €70,000 cash, hidden in his car. RO-C4 worked also with cash. RO-C12 also reported bringing cash into Romania by car. Perpetrators did not invest money using the financial markets. RO-E4 claimed that she did not know of cases of trafficking money being invested in stocks, offshore companies or bitcoins.<sup>37</sup>

RO-E4 had cases with perpetrators hiding the crime money abroad, buying clubs, restaurants or coffee shops having two-three floors with several rooms for prostitution and sexual exploitation: "traffickers learn from criminal files and try avoiding making the same mistake twice." Nevertheless, traffickers, at least those who had been convicted, are not sophisticated persons – they search for the simplest way of action and they do not want to complicate their lives with responsibilities, such as paying taxes, evaluate financial risks or assuming intellectual duties. Traffickers do not change trafficking models if they still work (RO-E4).

<sup>37</sup> According to DIICOT (2018, p. 20) darknet and bitcoin are used by drug traffickers.

In case of labour exploitation, the perpetrators also tend to invest in real estate. RO-C7 invested money in two houses in Romania.

### **3.5. The role and impact of the internet on human trafficking activities and finances**

Internet is used by the sexual exploitation perpetrators mainly for promotion. Several perpetrators (RO-C3, RO-C6, RO-C10, RO-C13, RO-C15, RO-C17) reported that the victims took care of their own advertising by using social networks and adult websites (regular posting of their photos, administrating their accounts, programming clients), some of the victims having their own website. However, this online activity does not mean the victim is not physically monitored. Internet is also used by perpetrators (or victims) to recruit other victims (by posting ads about labour or prostitution opportunities). The group represented by the RO-C17 perpetrator had logistics and administrative staff at their disposal. For instance, they hired specialised administrative staff (receptionists) to take over the phone call from customers, to make appointments of customers to specific victims, disseminate online ads on recruiting and available prostitution services, and respond to questions and replies from potential victims. RO-E2 confirmed that organised crime groups have entire departments specialised in online promotion and website development or subcontract such services. RO-E3 reported that the lover-boy method is used also through social media networks along with sextortion practices. The perpetrators build fake social media profiles and ask personal details and pictures. Europol reported that the internet is a crucial tool for human traffickers facilitating targeting of potential victims, access to personal data, logistics and transport, advertisement and surveillance (Europol, 2016, p. 12). The Romanian Centre for European Policies reported that a pattern in recruiting victims is posting job offers that do not correctly reflect pay, type of work and benefits (Toma et al., 2017, p. 13). There are Romanian websites promising video chat jobs which claim to pay up to €1,000/month (plus 70% commission and free monthly city breaks in Europe) and it is hard to make the difference between legitimate business and human trafficking operations.<sup>38</sup> Romania has legislation regulating places (including online) where striptease or erotic programs are allowed to be presented to the public.<sup>39</sup> Based on this regulation video chat and massage parlours may be lawfully established in Romania.

According to RO-C4 (perpetrator), there is a competition between typical exploitation and video chat exploitation. Video chats are used also by individual sex workers or international companies and this affects the profits of the domestic criminal groups. RO-C4 reported extortion racketeering practices against a video chat owner, including violence threats and car damage. The video chat business was established in a villa and it ran with 20 sex workers. Most of the perpetrators in the

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<sup>38</sup> Romania has allery 5,000 video chat studios and 100,000 persons working into this business (Angheluta, 2018).

<sup>39</sup> Law no. 196 of 13 May 2003 on the prevention and combating of pornography.

sample used money transfer services (especially Western Union and MoneyGram) (RO-C3 and RO-C18). RO-C1 reported using apps to communicate with group members (e.g. Skype, WhatsApp, Facebook). Such apps are used also as a form of control and intimidation. The interviewed perpetrators used also online booking to ease travel around Europe. Internet and the new communication technologies improved the traffickers' business processes, giving them access to new markets and clients.

Internet is also used for recruiting workers for labour exploitation. Work placement agencies are used to deceive potential workers about the work and working conditions (RO-E3). According to a study, 30,000 applicants registered in 2014 on Romanian online recruitment platforms (European Commission, 2016, p. 72). The E-liberare Association, a Romanian NGO advocating against human trafficking, promoted a fake job website<sup>40</sup> in order to evaluate the profile of interested users. As it turned out, most of those clicking the "apply" button had been 13 to 16 years old girls.

Apart from being used by perpetrators, internet operations may be monitored by law enforcement, but new investigation techniques and skills need to be developed. According to the Romanian Criminal Procedure Code, law enforcement may use the following special techniques in human trafficking files: intercepting communications or any kind of remote communication, access to a computer system, photo, audio or video surveillance, location or tracking by technical means, obtaining data on a person's financial transactions, detention, surrender or search of postal items, use of undercover investigators and collaborators, authorised participation in certain activities (committing a crime), supervised delivery, obtaining traffic and location data processed by the providers of public electronic communications networks or providers of publicly available electronic communications services.<sup>41</sup> As the use of these special techniques is incipient, law enforcement needs to invest in human resources and training (Suian, 2016). At the end of 2017, DIICOT started two projects on specialised techniques financed by European Union: CY-OPS (law enforcement training in the area of undercover online operations – 120 online investigators will be trained) and SIPOCA54 (on developing methodologies and training for electronic search) (DIICOT, 2018, p. 10). As of 2018, such investigation techniques are rarely used.

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<sup>40</sup> The website appealed to young, outgoing persons with basic English skills seeking employment abroad.

<sup>41</sup> Articles 138-154 of Criminal Procedure Code.



#### 4. FINANCIAL INVESTIGATIONS OF THB CRIMES: CHALLENGES AND GOOD PRACTICES

In 2011, Romania introduced regulations on extended confiscation,<sup>42</sup> but there are still challenges in enforcing the provision besides several fiscal crimes. In 2017, ANABI, the Romanian agency for the management of forfeited assets, established under the jurisdiction of the Ministry of Justice, became operational<sup>43</sup> and started to register seized assets, arrange for their interlocutory sale, managed a unique bank account for seized money and temporarily stored and managed mobile assets having an estimated value exceeding €15,000. ANABI is developing an integrated electronic system of seized criminal assets (ANABI, 2016), provides advice to prosecutors during seizing procedure, and is the Romanian Asset Recovery Office.

In 2015, Romania introduced legislation to limit cash transactions.<sup>44</sup> According to the law, legal persons cannot receive in cash more than 5,000 lei daily per person (€1,100) and it is forbidden to fragment cash receipts from the beneficiaries for invoices whose values exceeds 5,000 lei (the difference has to be paid only through cashless payment instruments). This ceiling does not apply to payment in instalments. The sanction consists of a fine of 10% of the cash amount overpaid or exceeding the ceiling. It needs to be further researched, therefore, how this law will affect the investment patterns of organised crime groups.

Romania's financial intelligence agency, the National Office for the Prevention and Control of Money Laundering, oversees operations above €15,000 and reports suspicious transactions to law enforcement. Romanian money laundering legislation compel legal persons to develop anti-money laundering procedures, to have specialized personnel and to report suspicious transactions.<sup>45</sup>

A Financial Investigation Unit has been set up in the Directorate for Organised Crime Combat of the Romanian police to track accounts and conduct financial profiling of OCGs, including identifying money laundering operations. Such a unit is also deemed necessary within DIICOT in order to conduct financial investigation in parallel with criminal investigation. DIICOT has argued that OCGs use in their criminal activities professionals such as accountants, lawyers, financial councillors, and law enforcement should benefit from similar assistance (DIICOT, 2018, p. 19).

Given the profiles of the traffickers, until recently financial investigation was not a priority for prosecutors. Financial investigation may take up

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<sup>42</sup> Art. 112 (1) of the Criminal Code.

<sup>43</sup> It was established by Law No. 318/2015 on the establishment, organisation and functioning of the National Agency for the Management of Seized Assets.

<sup>44</sup> Law no. 70 of April 2, 2015 for the strengthening of the financial discipline regarding the operations of cash and cash payments and for the modification and completion of the Government Emergency Ordinance no. 193/2002 on the introduction of modern payment systems.

<sup>45</sup> Law no. 656/2002 on the prevention and sanctioning of money laundering.



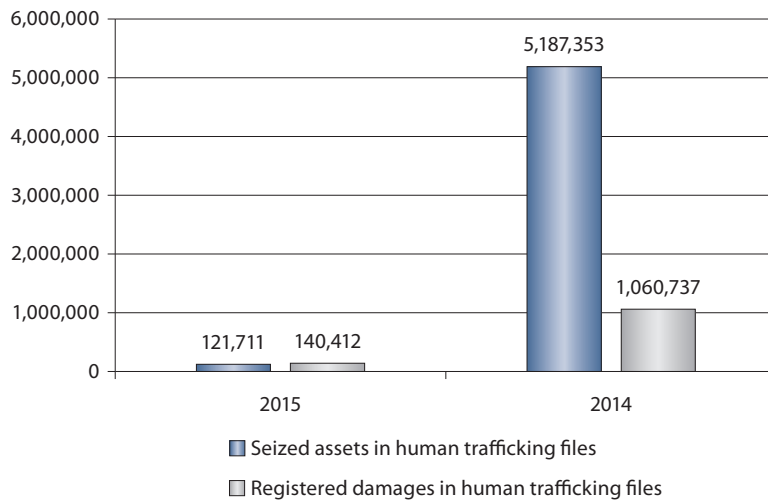
to two years so that the structure and the members to be identified along with their financial routes. According to the interviewed experts, the prosecutors try to identify first the perpetrators, their closer relatives/straw men and their standard of living (properties on their names, bank accounts, MoneyGram and Western Union transfers, and income). Many of the perpetrators put their properties on the name of close relatives (parents, siblings). As part of financial investigation data/financial records are requested from other countries. A recent trend is for former convicted criminals who return to the human trafficking market to become extremely skilled in hiding profits and their traces: "They make most of the investments abroad. In order to deceive law enforcement, however, they also invest a minor part in real-estate in Romania knowing that the property will be confiscated but hope that the prosecutor would be satisfied with finding something instead of nothing and stop investigating other, more difficult and time consuming paths" (RO-E4). The methods used by the prosecution to calculate the profits are rather empirical: number of victims, average victim income per night, and number of working nights. The financial investigation closes with a report. In the analysis of OCGs, DIICOT states that criminal groups are money driven, not leader driven (DIICOT, 2018, p. 18). Thus, criminal groups tend to reorganise and resume activity soon after being disbanded. Without an effective policy of forfeiture, criminal measures are not dissuasive.

RO-E4 stated the challenges to enforce extended confiscation provisions: "the initial hearings have to be very detailed otherwise in court you may find defendants bringing justification and submitting loan or sale contracts allegedly signed ten years before with their relatives in order to raise doubts in the mind of the judge".

The main challenge of DIICOT from the financial investigation point of view is to identify enough assets and seize them in order to ensure that human trafficking victims are duly compensated. For 2014 and 2015, DIICOT issued raw data on the registered damages and value of seized assets in human trafficking files. The value of damages (0.7% in 2014 and 0.08% in 2015) and frozen assets (3.55% in 2014 and 0.1% in 2015) in human trafficking files is very low comparing with the total frozen assets and damages registered in relation with all the files and crimes under DIICOT's mandate. The low level of registered damages is due to the inability of law enforcement to document the entire exploitation period and the entire number of victims involved as well as the lack of methodology to calculate damages in human trafficking files. The assets frozen are only those found in the possession of perpetrators. In 2013, assets and valuables confiscated in the course of investigations for human trafficking crimes amounted to €177,295, \$11,036, and the equivalent of €13,315 in other currencies, as well as 8.76 kg gold, 84 real estate properties and 104 vehicles (GRETA, 2016, paragraph 181).

This low level of seized assets makes it more difficult for the victims to secure compensations, even if the compensations are awarded by the court. Usually courts allow for very low compensations to human trafficking victims – as low as ten euros, for instance – but even these compensations are not really effective without any seized assets (RO-E3). GRETA

FIGURE 4. DAMAGES AND SEIZED ASSETS IN HUMAN TRAFFICKING FILES (€)



Source: DIICOT annual reports.

urged Romania to improve the collection of statistical data on compensations granted to victims of THB without noticeable success: “GRETA was informed that 56 victims of THB were awarded compensation by a court in 2011 and 53 in 2012. There is no information on the amounts of compensation awarded and whether it was actually paid. No information is available on compensations awarded to victims of THB by courts in 2013 – 2015” (GRETA, 2016, paragraph 144).

Regarding international cooperation, there are countries with which cooperation is very intense (Germany, Spain, France) and others with which it is

harder to cooperate, such as Ireland and Italy. Joint Investigation Teams<sup>46</sup> are reported to work very well, with 13 new teams on human trafficking opened in 2017 with Netherlands, UK, Spain, and France. In 2017, DIICOT (2018, p. 64) registered one European Investigation Order on human trafficking with the Netherlands. DIICOT started criminal investigations against 26 Romanian citizens who allegedly committed human trafficking abroad as part of OCGs.<sup>47</sup>

Law enforcement agencies and judicial authorities, such as DIICOT, and police need to develop more sophisticated big data analysis in order to evaluate risks and perpetrators. A good practice that can be used or replicated by DIICOT is ANAF risk analysis of the wealth of individuals. ANAF is the Romanian tax administration responsible for tax collection from legal and natural persons. Beginning in 2013, ANAF has developed a screening mechanism for evaluating an individual’s wealth measured against the level of paid taxes (Economica.net, August 6, 2016). ANAF identified four groups of risks: wealthy owners of poor companies, wealthy persons without any known economic activity, wealthy persons with volatile income, and wealthy persons with other types of fiscal risks. Wealthy persons were determined on several indicators: lending to other persons more than 200,000 lei (€44,000), buying real estate over €70,000, establishing bank deposits over 150,000 lei (€33,000) and buying cars worth over €25,000. Based on these criteria, almost 300,000 individuals have been put into risk categories and further analysis resulting 132,000 cases in which estimated income was by at least €11,000 higher than the taxed income. This group has been

<sup>46</sup> Joint Investigation Teams conduct joint operations, exchange of evidence, journeys, and translations, 90% of the costs being covered by Eurojust.

<sup>47</sup> The following number of Romanian citizens have been investigated for human trafficking by OCGs in these countries: Germany (2), France (1), Spain (21), Italy (2) (DIICOT, 2018, p. 65).

further discriminated using the following indicators: estimated undeclared income higher than €220,000 in 2011 – 2013, real estate over €150,000 purchased in 2011 – 2013, cars over €75,000 purchased in 2011 – 2013. Thus a sample of 5,884 individuals have been defined. Each person has been analysed through a kinship network analysis method in order to compensate the risks (for 1,161 persons the level of taxed income of relatives compensated fully the risks). In the end, 4,723 natural persons and 3,156 of their relatives were analysed in detail and 345 cases were selected for documentary fiscal inspection. In 2016, 312 documentary fiscal inspections were conducted and in 273 cases personal fiscal inspection was approved. Out of the 273 approved inspections, ANAF conducted 21 in 2016 and in 15 cases issued tax decisions for unpaid taxed of 11.3 million lei (€2.5 million), 1.7 million lei being paid voluntarily and assets being seized worth 4.6 million lei (ANAF, 2017, pp. 22-23).

## 5. CONCLUSION AND RECOMMENDATIONS

Human trafficking takes place nation-wide in Romania. Each year, up to 1,000 victims are identified by ANITP and DIICOT but many more still wait to escape the slavery trap. ANITP as well as DIICOT have a certain limited administrative capacity to deal with the crime. Reasonably, based on a maximum number of cases cleared up early over the past seven years, DIICOT cannot solve in one year more than 600-800 human trafficking files. The bulk of files left from 2017 to be closed in 2018 is impressive – 1,234. At the current capacity DIICOT will need two years without any new case in order to clear up this backlog.

Perpetrators can engage easily in human trafficking for sexual exploitation as the entry costs are reasonable (€1,000 to €5,000) and the profits are enormous and immediate (€70,000-€150,000 per year per victim). The costs to maintain the operation are up to €1,000 per victim/month, resulting in net profits up to €8,000-€9,000 per victim/month. The social fabric in Romania, marked in some areas by poverty, abusive families, alternative narratives of social success, and the high demand of sexual services in the EU offer multiple opportunities to traffickers who use simple methods like lover-boy, websites and social media or direct prostitution proposals to recruit victims (who try to escape the poverty trap). Perpetrators do not seem interested in sophisticated money laundering operations, they infiltrate the legal economy but also keep their money in cash and do not use the so called darknet, offshore accounts or bitcoins. Such perpetrators are more interested in feeding their vanity and showing off in their social circle. OCGs are violent, but with weak internal organisation based on kinship or ethnicity, money driven, not leader driven. They use corruption to secure their businesses against law enforcement and to have access to vulnerable persons, especially minors. The number of victims exploited simultaneously by such OCGs tend to be limited to dozens (8 to 24 victims in our sample of perpetrators).

At the same time, labour exploitation requires involvement of legal persons and partners abroad able to provide work in illegal conditions and ensure the monitoring of workers. The daily profit per worker could be up to €50, but it is less than in sexual exploitation cases. The number of victims per group tends to be limited to dozens. Nevertheless, the risks are balanced by the assumption that work exploitation is not human trafficking but deception or tax fraud, and the reluctance of authorities in some EU member states to apply criminal sanctions against these practices. The labour exploitation market is profitable as the demand for cheap work is also high in the EU and entire social categories in Romania are at the poverty limit, with traffickers profiting on opportunities and deceiving vulnerable people into too-good-to-be-true jobs, free accommodation and transport. Work placement agencies and websites are loosely monitored by state authorities and corruption is still pervasive.

Financial investigation is still an insufficiently used instrument, DIICOT struggling to establish such an internal unit. The assets are seldom seized and victims do not receive compensations. Websites and social media monitoring, and big data analysis are lacking.

### **Recommendations**

- Improve regulation of work placement agencies, massage parlours and clubs in order to ensure closer monitoring and access to data.
- Develop methodology to calculate damages in human trafficking files and train law enforcement and judges.
- DIICOT, ANITP and the courts should publish regularly open data on victims' characteristics, damages, seized assets, awarded and actually paid civil compensations, and perpetrators' profiles. ANITP needs to maintain statistics on re-trafficked victims and regularly publish open data. This would allow independent monitoring to develop awareness on the shortcomings of asset recovery and victims' compensation. Giving the uneven access to data, lack of a data integrator and an independent monitoring mechanism, in line with GRETA recommendations, Romania should designate a National Rapporteur according to the provisions of the Convention on Action against Trafficking in Human Beings.
- Develop new big data analysis instruments to evaluate criminal risks, learning from previous models applied in Romania (by ANAF, for instance) or at the international level.
- Establish a financial investigation unit within DIICOT.
- New instruments need to be developed to increase online monitoring activities on social media, online job agencies and escort forums and sex chats that facilitate exploitation.

Such measures need to be supplemented by targeted information and prevention activities (focused on identified hotspots), reducing social marginalisation of vulnerable categories, and targeting corruption in public institutions.

## LIST OF ABBREVIATIONS

<b>ANABI</b>	National Agency for the Management of Seized Assets
<b>ANAF</b>	National Agency for Fiscal Administration
<b>ANITP</b>	National Agency against Trafficking in Persons (RO)
<b>CRIDES</b>	Center for International Research and Documentation of Sexual Exploitation
<b>DIICOT</b>	Directorate for Investigating Organized Crime and Terrorism (RO)
<b>EU</b>	European Union
<b>GRETA</b>	Group of Experts on Action against Trafficking in Human Beings
<b>OCG</b>	organized crime group
<b>THB</b>	trafficking in human beings

## LIST OF INTERVIEWEES

Respondent code	Position/Department	Institution/Role
RO-C1	Criminal entrepreneur	Transporter
RO-C2	Criminal entrepreneur	Guardian/Supervisor
RO-C3	Criminal entrepreneur	Group leader
RO-C4	Criminal entrepreneur	Debt collector
RO-C5	Criminal entrepreneur	Group leader
RO-C6	Criminal entrepreneur	Recruiter
RO-C7	Criminal entrepreneur	Group leader
RO-C8	Criminal entrepreneur	Group leader
RO-C9	Criminal entrepreneur	Recruiter
RO-C10	Criminal entrepreneur	Recruiter
RO-C11	Criminal entrepreneur	Recruiter
RO-C12	Criminal entrepreneur	Group leader
RO-C13	Criminal entrepreneur	Guardian/Supervisor
RO-C14	Criminal entrepreneur	Group leader
RO-C15	Criminal entrepreneur	Group leader
RO-C16	Criminal entrepreneur	Group leader
RO-C17	Criminal entrepreneur	Recruiter
RO-C18	Criminal entrepreneur	Recruiter and Guardian/Supervisor
RO-E1	Organised crime expert	University/Professor
RO-E2	Victim's assistance	NGO/Leader
RO-E3	Victim's assistance	NGO/Leader
RO-E4	Prosecutor	Directorate for Investigating Organized Crime and Terrorism
RO-E5	Police Officer, THB expert	National Agency Against Trafficking in Human Beings
RO-E6	Police Officer	Romanian Police



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# FINANCING OF TRAFFICKING IN HUMAN BEINGS IN SPAIN

In Spain, trafficking of human beings was incriminated in 2010 with the modification of the Penal Code, specifically with the inclusion of article 177bis.<sup>1</sup> The crime carries a harsher sentence when the victim is a minor.<sup>2</sup> Before this, forced prostitution and sexual exploitation had been punished, but the crimes were not established as it is set forth in the Palermo Protocol. This belated inclusion in the Spanish Penal Code, in contrast to its neighbouring European countries, has meant that the public administration does not have a consolidated plan of action, both in victim support and in the prosecution of the crime. This is particularly so in trafficking for the purpose of labour exploitation, which has barely been addressed or prosecuted (Meneses-Falcón, 2017).

The scope of the phenomenon of trafficking differs depending on the exploitative purpose for which it is carried out. The most visible is trafficking with the purpose of sexual exploitation, since certain aspects that give it greater volume converge:

- a) the partial decriminalisation of procuring (pimping) in the Penal Code of 1995, which allowed greater tolerance toward the third-party organisation of sexual commerce (Meneses-Falcón, 2017);
- b) the extra-legal status of prostitution has facilitated the creation of prostitution apartments, brothels and hostess bars (prostitution in Spain is neither regulated nor prohibited);
- c) the existence of a demand for paid sex with a very significant volume of business, which is among the highest in Europe (more than 20% of the male population has paid for sexual services) (Meneses-Falcón et al., 2015).

Trafficking for the purpose of labour exploitation occurs in the more precarious labour markets, which require cheap and temporary manual

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<sup>1</sup> Whoever, using violence, intimidation or deceit, or abusing a situation of superiority or need, or the vulnerability of a national or foreign victim, or through the delivery or receipt of payment or benefits to achieve the consent of the person who possesses control over the victim, were to capture, induce, transport, transfer, receive or house such a victim, including the exchange or transfer of control over the victim, for any of the purposes described below, within Spain, from Spain, in transit or with destination therein, shall be convicted of human trafficking and punished with the penalty of five to eight years imprisonment:

- a) Imposing on the victim forced work or services, slavery or practices similar to slavery or servitude or begging;
- b) Sexual exploitation, including pornography;
- c) Exploitation in order to perform criminal activities;
- d) Extraction of their bodily organs;
- e) The celebration of forced marriage.

A situation of need or vulnerability exists when the person in question has no other alternative, real or acceptable, to being subjected to abuse.

<sup>2</sup> Article 177bis.2. Under 18.

labour that is not supplied by local workers. Specifically, the most affected sectors are agriculture (the production of vegetables, fruits, olives and wine), domestic service, construction, and textiles. In recent years, trafficking networks that exploit victims who have been forced into begging, or the committing of crimes, notably thefts and drug dealing, have been detected. Victims of sexual trafficking are also, in some cases, being forced to commit crimes of theft. Lastly, trafficking for the purpose of organ exploitation is marginal – the organ donation system is very well organised, with the result that the clandestine sale of organs in Spain is practically non-existent. There is no data related to export of organs from Spain to other countries.

Various sources of information have been utilised in the development of this report. First, the foreign nationals' sections of the reports of the State Public Prosecutor's Office from 2014 to 2017 were used. Second, court judgements on the trafficking of human beings with the purpose of labour or sexual exploitation have been compiled (82 sentences from 2012 to May 2017 were obtained). Third, information has been obtained from a series of key informants, through semi-structured interviews; among the key informants interviewed, we highlight the following:

- Public Prosecutor for the Foreign Nationals section of the Spanish government (SP-E01 and SP-E03).<sup>3</sup>
- Two provincial level public prosecutors (SP-E02).
- Autonomous police forces with human trafficking competence of the Basque Country and Catalonia (SP-E12, SP-E13 and SP-E14).
- Three teams of the National Police Corps from three provinces (UCRIF of Murcia, Huelva and Seville) (SP-E07 to SP-E06).
- Two teams of the Guardia Civil – from the head office (Madrid) and from the province of Huelva (SP-E05 & SP-E06).

Fourth, six interviews of people convicted of trafficking human beings, currently serving their sentences, were carried out.<sup>4</sup> All six had been convicted of trafficking for the purpose of sexual exploitation (five women, three Nigerians and two Romanians, and one man, of Paraguayan nationality, coded SP-C01 to SP-C06). In July 2017, there were sixty-one people serving sentences in Spanish prisons for human trafficking. Lastly, we contacted the Office for Asset Recovery and Management (ORGA) to collect information on assets in this crime (SP-E15). However, due to its recent (2016) establishment and scant activity, the gathering of data has been very limited.<sup>5</sup>

<sup>3</sup> The sources have been coded in order to preserve their anonymity. The first two letters of the code indicate the country, "E" indicates an expert, while "C" means criminal entrepreneur. The description of the background of the individual sources referenced can be found in the list of interviewees in the references section.

<sup>4</sup> The Spanish Prison Service granted us the interview in a prison where seven people were serving sentences for trafficking. Having been asked and given the informed consent for the interview, six agreed to participate.

<sup>5</sup> In the two years ORGA has been operating, five cases of human trafficking have been referred to them, all of them sexual trafficking, involving the investigation of thirty people and assets in Colombia, Panamá, France, Brazil and Finland. All of the people investigated were European.

In order to conduct the interviews, the interview scripts for the study have been adapted to the Spanish context in order to make the interviews more efficient and focused on the situation in Spain. Most of the informants possessed abundant information on trafficking for the purpose of sexual exploitation, but not on labour exploitation. Enquiries were made in different provinces attempting to find cases of labour trafficking, but the information was scarce and proved to be difficult to evaluate overall. The information obtained was then processed and organised in order to carry out content analysis for the writing of this report.

## 1. MARKET OVERVIEW

The crime of human trafficking in Spain is investigated and prosecuted by the State Security Forces, Guardia Civil and National Police Corps, specifically the UCRIF (Central Unit for Illegal Immigration and Document Falsification Networks), as well as by the Foreign Nationals Unit of the State Public Prosecution Office. The two autonomous police forces (Ertzaintza and Mossos d'Esquadra) also have authority in the prosecution of this crime. There is a defined split of responsibilities between the different police bodies although there is some overlapping which is counteracted by a good degree of coordination.

**TABLE 1. VICTIMS OF TRAFFICKING FOR SEXUAL EXPLOITATION\***

Year	Women	Men	Female minors	Male minors	Total
2014	871	12	36	1	919
2015	455	37	44	0	537
2016	337	1	28	0	366

\* Victims at serious risk and identified victims.

**Source:** Reports from the State Public Prosecutor, Foreign Nationals Office.

With respect to the trafficking victims found in Spain, most of them are victims of sexual exploitation (more than 80%) (FGE, 2015; FGE, 2016; FGE, 2017; Eurostat, 2015). The vast majority of these victims are women (more than 98%). In contrast, the victims of trafficking with the purpose of labour exploitation are mostly men (more than 80%). A worrying trait is the increase in minors being victims of trafficking that has taken place in recent years (FGE, 2017). In 2014, 4% of trafficking

victims were girls. This percentage has increased to 8% in the following two years (FGE, 2015). Finally, it is worth mentioning the reduction in the number of victims that have been detected since the 2015 report; according to the criteria applied by the public prosecutor's office, the number of detected victims is 40% lower in 2016 than in 2014. This considerable decrease is due, we believe, to the inspections carried out by the National Police and the Guardia Civil in brothels (in which it is more difficult to find trafficking victims since in these establishments the women usually appear to consent to working as a prostitute), meaning that the sexual exploitation of women and girls been moving away from these types of es-



**TABLE 2. VICTIMS OF TRAFFICKING FOR LABOUR EXPLOITATION**

Year	Women	Men	Female minors	Total
2014	-	-	-	173*
2015	19	92	-	111
2016	13	71	2	86

\* The data for male and female victims of labour exploitation in 2014 are not known.

Source: Reports from the State Public Prosecutor, Foreign Nationals Office.

**TABLE 3. NUMBER OF PEOPLE INVESTIGATED/DETAINED FOR TRAFFICKING CRIMES**

Year	Sexual			Labour		
	Women	Men	Total	Women	Men	Total
2014	269	429	698	7	46	53
2015	227	354	581	3	59	82
2016	137	151	288	5	19	24

Source: Reports from the State Public Prosecutor, Foreign Nationals Office.

**TABLE 4. NUMBER OF INVESTIGATIONS, JUDGEMENTS, AND CONVICTIONS FOR TRAFFICKING CRIMES**

Year	Sexual			Labour		
	Investigations	Judgements	Convictions	Investigations	Judgements	Convictions
2014	154	14	11	10	2	1
2015	74	24	18	15	1	1
2016	70	29	6	8	0	0

Source: Reports from the State Public Prosecutor, Foreign Nationals Office.

tablishment, which are open to the public, to private residences and apartments, where inspections by state security forces are not carried out.<sup>6</sup>

With respect to the number of people investigated and detained for crimes of sexual trafficking, just as with the number of victims, the number of people detained has been decreasing over recent years (FGE, 2015; FGE, 2016; FGE, 2017). Given that it is possible that this type of crime is concentrated in private residences and apartments, it is harder to be able to investigate and detain the culprits (Meneses-Falcón et al., 2017). In the cases of crimes of trafficking for sexual exploitation, the numbers of men and women detained have become more even, being almost equal in 2016 (FGE, 2017). However, in the cases of crimes of trafficking for labour exploitation in Spain, those investigated and detained are mostly men.

Lastly, if we look at the number of investigations conducted, and the convictions obtained, we can see that the number of convictions is very low (FGE, 2015; FGE, 2016; FGE, 2017). It is important to be aware of

<sup>6</sup> In order to inspect an apartment, the police need a court order, since it is considered a private residence. Judges and magistrates only permit such searches if there are clear signs of criminal activity.

the difficulties that currently exist in order to secure a conviction for a crime of human trafficking. Convictions in the Spanish legal system depend fundamentally on the declarations of the victims, who in many cases do not wish to testify against the traffickers who had trafficked and exploited them, whether due to actual threats from the traffickers themselves, or fear, or even because the women are not aware that they have been the victims of a crime.

## 2. MARKET STRUCTURE AND SOCIAL ORGANIZATION OF TRAFFICKING NETWORKS IN SPAIN

The main strategy of investigation and prosecution of the crime of human trafficking in Spain has been the declaration of the victim (SP-E01). Results to date have not been very productive. Only a relatively low number of delations have been achieved. In 2017, a new focus has been put forward: investigations on money laundering, the assets of those under investigation (traffickers), and crime against the public treasury (SP-E01). But this is only a recent strategy and it is hoped that it proves fruitful in the coming years.

Criminal trafficking networks (some of them very reduced) can be classified into three types, according to their organisation (SP-E05, SP-E12, SP-E13, SP-E07).

- a) Large, highly structured organisations, with members responsible for different functions in the country of origin of the victims, in transit and in the destination country (recruiters, those responsible for documentation, for bribery at border crossings, those charged with harbouring the victims, with accompanying them during transit, and those who provide the basic products necessary for the exploitative activity – cosmetics, lingerie, etc.).
- b) Smaller organisations that do not have a large deployment of people to undertake various tasks, which are instead carried out by a small group. At times, they might contract the services they need (obtaining documentation, border crossings, etc.) from larger trafficking organisations.
- c) Family type organisations or of a small-time trafficker's initiative, one-person, lover-boy types, in which the profits are appropriated by an individual, in which the scale of the trafficking is limited to recruiting two or three women who are exploited with little investment.

Most traffickers convicted in Spain belong to the second and third types described above. Large networks are less represented among those detained and convicted. There are few convictions of those who have greater responsibility and who hold higher positions in the human trafficking organisations.

In recent years, the presence of women in recruitment in the areas of origin and in sexual exploitation has increased (SP-E12, SP-E13, SP-E08,

SP-E11). Many of these women are former victims who collaborate with the network once they have paid off their debts, as a way of earning profits – just as was done with them – or as another way of completing their debt payment. These women are more effective models in the recruitment of other women, because they parade themselves as successful women who came to Europe and set themselves up on their own account. Former victims are more effective when they are used as recruiters. In 2015, out of 616 people detained for trafficking, 40% were women<sup>7</sup> (SP-E12, SP-E13; Surtees, 2008).

The victims come from various areas of origin: the Latin American route, the east European route, the sub-Saharan African route and the Asian route. The trafficking networks have transnational connections, with contacts in the local communities where they recruit their victims, and connections in Spain (SP-E01, SP-E02, SP-E05). Furthermore, they usually know Spanish and European Union legislation well, and the difficulties that they are likely to meet while transporting victims and the places where they can best gain entry (SP-E05, SP-C02). The traffickers give precise instructions to their female victims concerning the Spanish police, what they should say to them, and they depict the police as just as corrupt as the police from their countries of origin (SP-E05, SP-C05). They usually deceive them, telling them that if the Spanish police discover them, they will put them in an Internment Centre for Foreign Nationals and deport them (Meneses-Falcón et al., 2015).

The organisations that originate in eastern Europe tend to be larger and have fewer documentation problems because they move within the Schengen Area. Romania and Bulgaria are the two countries that have the heaviest presence both as victims and traffickers (FGE, 2017). Two main types stand out: those that are more organised, that recruit their victims with the promise of employment in domestic service or hospitality and catering jobs (which is the case of women for sexual exploitation); and those that involve a procurer (pimp) who recruits a woman by duping her into falling in love with him (the lover-boy method), after which he proposes going to Spain for a job that a friend has offered him, and on arrival in Spain he induces her into prostitution using emotional blackmail (Marcus, 2008). In other cases, there is no deception – recruitment is accomplished directly by offering to pay the costs (transport to Spain and accommodation in the destination city) that are needed to get started in Spain. Once one of the women is established in sexual exploitation, the recruiter returns to repeat the process with another woman (SP-E12, SP-E13, SP-E14). Lastly, there are the traffickers who control two or three women with the help of another woman who has been recruited beforehand (SP-E05, SP-E12, SP-E13, SP-E14).

Madrid, Barcelona and Valencia tend to be the destination cities of choice for eastern European victims of sexual exploitation, and from there they are distributed to other cities. If the victims do not resist and generate

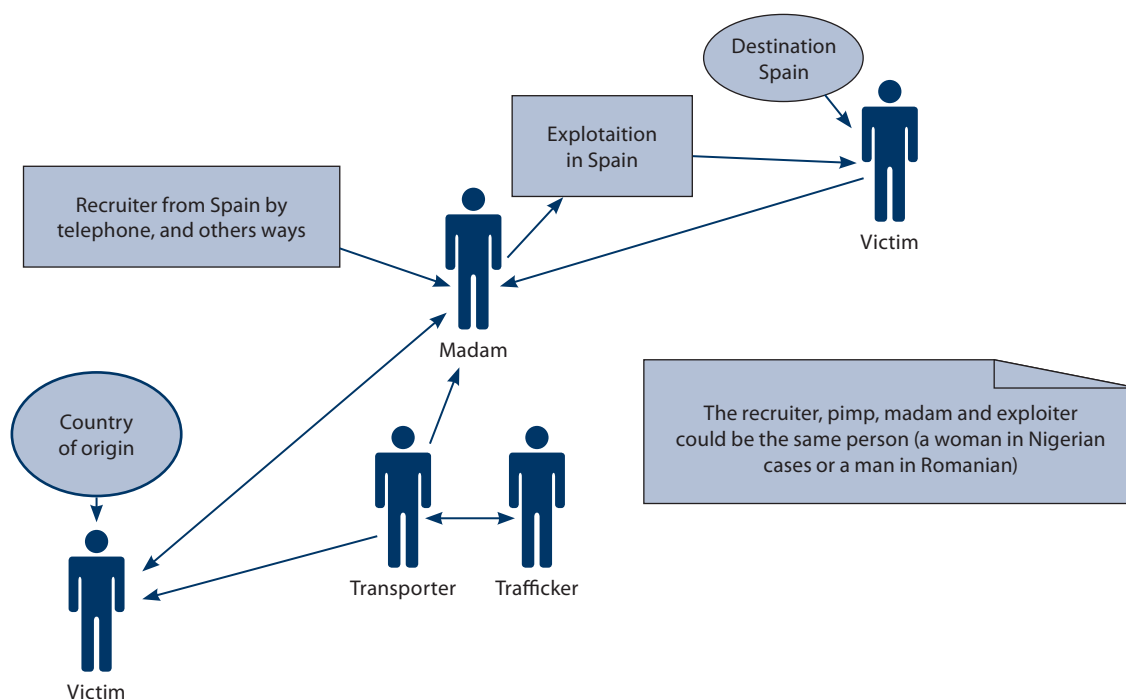
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<sup>7</sup> Data confirmed by the Penitentiary Institutions in Spain.

TABLE 5. ACTORS WHO PARTICIPATE IN TRAFFICKING CRIMES

Actor	Role
Trafficker	Person who commits a crime of trafficking for sexual or labour exploitation
Recruiter	Person who seeks and deceives women (victims) into trafficking
Transporter/ Intermediary	Person who transports the victim from the country of origin to the final destination.
Procurer (pimp)	Person who exploits the victim directly or by deception (the lover-boy method).
Controller	Person who controls the victims (in Andalusia. the controllers hired to oversee the work of the victims are sometimes called "Manijeros")
Lover-boy	Main controller and trafficker of women for sexual exploitation who holds a sentimental relationship with the victim.

FIGURE 1. ACTORS WHO PARTICIPATE IN TRAFFICKING



the revenue that their traffickers demand, they will be exploited for a long time and their sexual exploitation will never end until they cease being profitable (SP-E05, SP-E12, SP-E13, SP-E07, SP-E11). In the case of trafficking for labour exploitation, the destinations are Andalusia and the Levante (the provinces of Alicante, Castellón, Murcia, and Valencia), as

these are the places with the highest demand for temporary manual labour in agricultural estates (SP-E07, SP-E06, SP-E11).

The organisations originating in sub-Saharan Africa are composed and organised differently (Ellis and Akpala, 2011). There are those that are highly organised, with contacts in different countries and that traffic to Europe, and there are those that are more family-based or domestic, which are not well organized, as mentioned above. In any case, from Africa there are two entry points into Europe: Italy, from Libya; or Spain, from Morocco (SP-C02, SP-C03). Here, we will focus on the latter.

The country of origin of the women who come to Spain from Africa is mainly Nigeria, and specifically Benin City (SP-E08, SP-C01, SP-C02, SP-C03). Women coming from other Nigerian cities tend to have Paris or London as their (final) destinations, although sometimes these are transit cities for coming to Spain. There are different overland routes, the main one passing through Mali, Algeria and Morocco (SP-E08, SP-C01, SP-C02, SP-C03). Another frequently used route passes through Guinea, then by plane to Ukraine and from there to Austria (SP-C02). The route by plane is more expensive and the debt that is subsequently demanded from the victim is greater, between €60,000 and €80,000 (SP-C02, SP-C03). The land route is cheaper, being made by bus or in trucks with other men and women (SP-C02). During the journey, however, there is always a “boss”<sup>8</sup> who accompanies several women as far as Morocco (Alomar and Plasencia, 2014). The journey can last days or months since the distance from Benin City to Tangier, Morocco, is 3,477 km. Once in Morocco, they are placed in a camp or accommodation which is provided by the “boss” until there is a boat available to cross the Straits. These boats are normally intercepted by the Spanish police and the Spanish Red Cross. The organisation instructs the women how they should act in front of the NGOs and the Spanish police (SP-E05, SP-E06). Once the boats are intercepted, the women are looked after by the Red Cross for 24 hours, after which they make contact by telephone with someone from their country’s network who resides in Spain (the contact having been provided by the boss who organised the crossing of the Straits) (SP-C02). From Andalusia, they are transferred to Madrid. On other occasions, France is the destination, with Bilbao being the transit city to French-speaking countries (SP-E12, SP-E13). This journey is made when they are not detained or retained in an Internment Centre for Foreign Nationals.

In the case of women coming from Latin America or sub-Saharan Africa who arrive via aeroplane, after their arrival at the airport they are taken to an apartment to work as a prostitute, or to a type of brothel known as a “club de alterne de plaza”<sup>9</sup> (Meneses-Falcón, 2017). In this brothel model, the trafficked persons live in the same establishment where they work as prostitutes, servicing clients in the same room that they live

<sup>8</sup> Also called “husband,” this person is always male and sees to their safety throughout this journey. Sometimes this boss has non-consensual sex with the victims.

<sup>9</sup> Prostitution work is moving from brothels and concentrating in apartments or houses (which customers access by appointment). These premises cannot be inspected by the police unless there is search warrant (court order), unlike the brothels, which undergo annual formal inspections.

in. The establishment provides them with clothes, cosmetics and the necessary basic products, which are added to the debt that they have with the traffickers, the sum of which they discover when they arrive in Spain. In other cases, mainly those coming from sub-Saharan Africa, they are housed in an apartment with three or four other women and taken to work as a prostitute on the street in city centres, on industrial estates or on roads on city outskirts, always in places close to a brothel that offers the presence of customers of prostitution (SP-C03, SP-C04, SP-C05).

Regarding the east Asian women who are trafficking victims, there is little data. The Asians are a highly secretive group and not much information is available on their business. This is a pending issue. Nevertheless, the information obtained shows us that the victims are in apartments or massage parlours that are strictly controlled by a “madam” who never allows them to be alone (SP-E05, SP-E12, SP-E13, SP-E14). Two types of apartment exist (SP-E05): those that are exclusively for the east Asian population, particularly Chinese, and those that are aimed at Westerners. In both cases, there is a lot of movement, both of women and apartments, which makes police investigations difficult. In some cases, they bring in the women by plane, using passports from Taiwan or Japan, and entering the European Union through airports that have less traffic (SP-E05, SP-E14, SP-E02). However, it tends to be easier to do the transportation by road, entering through the border of Slovakia, which is the most permeable (SP-E12, SP-E13). They are often accompanied by a Chinese male, who is responsible for the transportation (SP-E05, SP-E12, SP-E13, SP-E14). This man, whom they call “snakehead,” will have a resident’s permit in the Schengen Area, and tends to travel with around five Chinese women (SP-E12, SP-E13). These organisations are very difficult to approach and investigate, due to their discretion, secrecy, scant predisposition to collaborate with the police and lack of desertions (SP-E05, SP-E12, SP-E13, SP-E14).

Lastly, we must add that African drug routes are being overlapped with human trafficking routes from Guinea and Nigeria (SP-E05, SP-E12, SP-E13, SP-E14, SP-E07). There are also signs that some Asian routes of human trafficking (Pakistan) are being used to get terrorists into the Schengen Area (SP-E14). These aspects require deeper investigation.

With regard to the trafficking of human beings for the purpose of labour exploitation, the networks that have the highest presence are Romanian and Bulgarian (SP-E06, SP-E11). Their victims are men of the same nationality, who are often recruited from the same localities as the traffickers themselves. The process consists in offering work to harvest or pick agricultural products for the season, agreeing on the wage plus room and board, without any intention of actually paying them. The financial process is described in detail below. Only some of these men, after working for the first month and not getting paid, make this fact known to the police (SP-E06). If the police officer who deals with the complaint is not specialised in human trafficking, they will not identify it as such. Instead, it is recorded as a simple offence against the rights of the worker, or mere labour exploitation (SP-E06, SP-E11).



### 3. FINANCING AND FINANCIAL MANAGEMENT

As a result of the research conducted, the analysis of the interviews carried out, and the study of court judgements, the following six sub-sections address the financial aspects of human trafficking.

#### 3.1. Source of capital for initiating/sustaining criminal operations. Access to capital in critical moments

From the information gathered in all the sources consulted in this work, both from the police and judicial authorities as well as from the traffickers interviewed and serving sentences for their crimes, it can be deduced that in Spain human trafficking (both for sexual and labour exploitation) is carried out mainly by individuals or small organisations. The minimum barriers to entry in economic terms contribute to this fact.

In the case of sexual exploitation, as will be discussed below in this report, the costs of recruitment, transfer and maintenance per victim do not exceed €1,000 in the case of European and African sources and from €2,000 to €3,000 when the origin is Latin American or Asian (when it is carried out by air travel). As a result, the market is saturated with small traffickers who invest their savings or small family and friend's loans to start the activity. It has been found that in many cases they are old victims or relatives, who once they have reached the knowledge of the activity are established on their own.

In the case of prostitution, there are entrepreneurs with brothel businesses and a significant financial flow and investment volume. However, because of the legal situation of prostitution in Spain (without regulation) these entrepreneurs are disconnected from the very crime of trafficking (regulated and heavily punished) to focus exclusively on that of prostitution.

#### 3.2. Settlement of payments

Payments are made in two different scenarios.

- a. Those that are made within the receiving country (in this case Spain):  
In the case of sexual exploitation, the number of transacted payments is significant, but the average size of a transaction is small. They are made either in cash (majority) or with the exchange of goods or services (marginal). They are very difficult to track because of their characteristics.  
In the case of labour exploitation there are almost no payments to the victims. The traffickers receive their payments in cash to avoid detection by the authorities.
- b. Those that occur between countries (origin, intermediate and destination):  
The banking controls established for the international monetary movements by the Spanish authorities to prevent money laundering are very strict (any single or multiple transactions by the same individuals

above €3,000 is subject to a declaration) so that this method is used marginally.

Greater volume of movements is carried out by individuals who travel and who hide money in their luggage. Since 2007, the legal maximum in the European Union according to regulations to prevent money laundering is €10,000. Customs controls at borders, ports and airports are significantly reducing the amount that is moved through this channel. In 2016, 77 sentences were issued in Spain, of which 49 were convictions (General Council of the Judiciary). However, the vast majority of them are linked to crimes of tax evasion or crimes unrelated to human trafficking, such as drug and tobacco smuggling or arms trafficking.

Finally, the most frequent method of economic movements is those carried out by exchanges without movements of money. This procedure is very difficult to monitor, although its existence has been detected in transactions with different continents (Hawala). This mechanism is described in more detail in the next section.

### 3.3. Costs of doing business

The costs of doing business depends on the origin of the victims and the trafficking network structure. Thus, doing business with victims from sub-Saharan Africa is more expensive even though the costs are cheaper than victims from eastern Europe or Latin America. In general terms, costs stem from transportation and maintenance as most of the victims are deceived in their country of origin.

#### Coming from sub-Saharan Africa

Most of the women who come to Spain through trafficking networks come from Benin City, Nigeria, and, to a lesser extent, from other countries such as Guinea or Cameroon. A person close to the victim or to their family suggests coming to Spain to work as a waitress, cleaner or in personal care (SP-C01, SP-C02, SP-C03). The person who arranges the deal to come to Spain does so in exchange for money. This agreement or contract is usually made with a commitment that is enforced using Voodoo rituals (Dols, 2012). The expenses include recruitment and transportation. The costs differ, depending on the route and the intermediaries. In the case of the route by air, there is the added cost of false documentation (€1,000 to €3,000). In general, this is done using a real passport but changing the biographical page and using a fake identity (SP-E05, SP-E12, SP-E13, SP-E14, SP-E07, SP-E08). On other occasions, they use a passport belonging to a fellow countrywoman who already has Spanish residence and who looks like the victim (SP-E14, SP-E07, SP-E08). In these cases, the victims usually enter via another country (the United Kingdom or France) before moving on to Spain, and so avoid answering questions about their stay in Spain (SP-E14, SP-E07, SP-E08, SP-C03). They may also come with an Italian or Portuguese passport (Cape Verde).

- Route by aeroplane. The victim is generally transferred to Lagos or Guinea accompanied by a network member whom they call

- “boss.” They may also travel this leg of the journey alone, although this is unusual. Once arrived in these cities, they are housed with someone belonging to the organisation until the flight departure. They fly to Paris or London, and from there to Madrid (SP-E14, SP-C03). In Madrid, they are collected by other people, generally a woman or a couple who are compatriots and who provide accommodation (SP-C02, SP-C03). Sometimes these women know that they are coming to work as a prostitute, but not the conditions in which they will have to do so (SP-C03, SP-C03). If they refuse, they are threatened until they acquiesce. Then they are instructed as to how they must work in prostitution and that all of their earnings will go toward paying off their debt. The traffickers are often Nigerians resident in Spain, who request women in order to exploit them, and the organisation in turn contacts a recruiter based in Nigeria (SP-E12, SP-E13, SP-E14, SP-E08). In this case there can be two intermediaries before the victim reaches the exploiter.
- Overland route. The recruiter in the victim’s locality is responsible for taking her, along with other women (the journey is generally undertaken with three or four women), to as far as Morocco, travelling various routes by bus or in trucks along with other people, even going some of the way on foot. Bribes have to be paid at border crossings (SP-E12, SP-E13, SP-E14, SP-C02). On arrival in Morocco, they may be housed with a compatriot (SP-C02). From this moment they may begin to be exploited sexually or used to work as a beggar while waiting to be able to cross the Straits (€1,500). When the boat crossing is due to take place, the victim is given a mobile phone in order to contact the person in Spain, a compatriot, who will be in charge of their exploitation and who will charge her room and board (SP-E05, SP-E12, SP-E13, SP-E14, SP-E07). In Spain, there may be one or two exploiters, moving the victim from one place to another (SP-E12, SP-E13, SP-C02, SP-C03).

The cost per victim until the time of placing them in Spain is approximately €10,000, (SP-E05, SP-E12, SP-E13, SP-E14, SP-C02, SP-C03). According to information provided by the police, sometimes the intermediaries get paid with sex with the victim, particularly at the border (SP-E12, SP-E13, SP-E08). In some cases, the cost of transporting the victims to Spain increases because they can be kidnapped by other criminals who demand a ransom from the traffickers<sup>10</sup> (SP-E05, SP-E12, SP-E13, SP-E14, SP-E08).

### **Coming from eastern Europe**

The initial investment in the victim is small (SP-E05, SP-C04). Transportation from the place of origin to Madrid is overland and costs around €100 per person recruited. Arranging documentation is not a complicated process. On occasion the journey is made using low-cost flights. In both cases, the cost depends on whether the trafficker acts alone, or if more people are involved in the journey, or whether it is an organised network (SP-E02, SP-E05, SP-E12, SP-E13, SP-E14, SP-E11).

<sup>10</sup> We have not been able to establish the amount of money demanded for these kidnappings, or the frequency with which they occur.

Love-boy traffickers. He will recruit his victim in the country of origin (Marcus, 2008). He will choose his victims based on their characteristics of vulnerability. He deceives them into falling in love and proposes going together to Spain (a one-way bus journey from Bucharest to Madrid costs €100). Generally, he is already resident in Spain, where he has colleagues, men or women, his actual partner sometimes being among the latter. When they reach Spain, he tells the victim that she has to work as a prostitute, exploiting her by controlling all the aspects of the work, such as place, prices, clients and services. The lover-boy and his victim may also travel by plane (Bucharest to Madrid, €150) (SP-C04).

Small organisations. These are made up of a recruiter (male or female) in the country of origin, who may or may not accompany the victim, travelling to Spain by bus or aeroplane. She is collected by other people (two or three controllers who will handle her exploitation). Documentation, if the country is part of the EU, is a mere formality with low costs. If the east European country does not belong to the EU (e.g. Ukraine, Belarus, Moldova), there is a cost for arranging the necessary documentation and visas (Judgment nº 15, see Appendix 1).

Highly organised groups. The number of people involved is bigger although we cannot speak about big organisations in these cases. They have a person who recruits in the place of origin, another responsible for arranging documentation, another to carry out the transportation when it is necessary (accompanying the victim, the flight), and a group that is responsible for the exploitation (vigilance, control and collection of money, moving the victim to other places – brothels). This was the case for one of the convictions we have examined, of a Russian organisation of traffickers and exploiters (Judgment nº 15, see Appendix 1).

### **Coming from Latin America**

The trafficking organisations coming from Latin America originate in the Dominican Republic, Paraguay, Brazil, Colombia, and Venezuela, which are the countries with the greatest flow of migration toward Europe (SP-E02, SP-E05, SP-E10). The principal destination for these countries is Spain, due to the similarity in language and culture. Only when alerted to strict controls in Madrid Barajas Airport do they try to enter Europe through the airports of Orly in Paris, Fiumicino in Rome, Schiphol in Amsterdam or Heathrow in London, all being transit countries (SP-E12, SP-E13, SP-C02, SP-C03). Because these EU transit countries are not the destination countries of the victims, the controls are not overly rigorous; in fact, some victims have arrived in Spain with a false passport (SP-E01). In order to enter Spain, a passport, a visa obtained in the Spanish consulate in the country of origin or a letter of invitation, a contact in Spain and a minimum sum of money, are all required. If necessary, the documentation would be falsified by the network, as a public prosecutor of trafficking from Santo Domingo in the Dominican Republic showed us.<sup>11</sup> It requires an investment of

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<sup>11</sup> A member of our team interviewed one of the Public Prosecutors for trafficking in Santo Domingo in April 2017.

€3,000 for each person recruited (documentation, visa, money for the journey that will be taken away on arrival in Spain, and an aeroplane ticket) (SP-C05). Recruitment in local communities is usually carried out by people from the same country, occasionally with the presence of Spanish nationals. The offer of work tends to be domestic service, waitressing, dancing, childcare or elderly care (SP-E10). On occasion, employment as an escort or prostitute is proposed but without giving the details of the conditions that would be found on arrival. The recruitment is usually undertaken from Spain, whether through an advertisement in a local newspaper, by internet, or through a contact who resides in the country or origin (Meneses-Falcón, 2017). Both traffickers and victims arrive by aeroplane, which means there is the expense of the flight. In addition, there is the €900-plus that they must carry in order to substantiate that they are travelling as tourists, although this money is recovered by the traffickers once they have entered the country. Lastly comes the cost of the documentation: passport and visa or letter of invitation (SP-E08). In the case of a trafficker from Paraguay who was interviewed, the initial outlay of money was from his savings: he used it as a way of investing in order to obtain profits (SP-C05). He had permanent residence and employment in Spain.

**Coming from China**

Different routes are possible from China (SP-E05, SP-E12, SP-E13, SP-E14, SP-E07):

- a) direct flight to Madrid or a flight to Poland and then to Madrid.
- b) flight to Dubai, from there to Guinea, then to Paris, and finally to Madrid;
- c) overland, entering through countries with permeable borders (e.g. Greece).

**TABLE 6. COSTS FOR THE TRAFFICKERS OF TRANSPORTING A VICTIM TO SPAIN**

	Sub-Saharan Africa	Latin America	Eastern Europe	China
Costs per victim until arrival in Spain	€10,000	€3,000	€150	€2,000

*Source: Authors' calculations.*

In almost all cases, the victims reach their destination accompanied by a Chinese male (SP-E05, SP-E12, SP-E13). This person only ensures the transportation of the victims, after which he returns to his country of origin. On occasion, the recruiter and the transporter are the same person, but on others they are different people. Sometimes, there may be one or two people working as transporters to bring the women

to a country in the Schengen Area, and then another distributes them around Europe. They charge €800 for each woman. The total cost of bringing a victim from China varies between €1,000 and €2,000 depending on the documentation obtained (SP-E12, SP-E13, SP-E14, SP-E07, SP-E06, SP-E11).

Therefore, the cost that the traffickers may have to invest in the victims ranges from €150, for those coming from eastern Europe up to €10,000 for sub-Saharan victims. In other words, the expense for those belonging to the Schengen Area is, logically, lower, since there are fewer transit risks. The greatest expense corresponds to sub-Saharan Africa, although this cost can be lower, depending on the route and the network members involved in the transport up to the Straits and subsequently to Spain.

### **Labour trafficking**

Labour trafficking victims mostly come from Romania and Bulgaria, although there have been cases of victims coming from Latin America (SP-E06, SP-E11). The victims are offered a monthly salary of €400-€800, including room and board, for work either in the harvest/picking of agricultural products in Almeria, Murcia, Huelva, Jaen, Rioja, etc., or in construction. Generally, they are made to pay for work materials, or made to hire them, and when the victims do not receive their salary after one or two months they make a formal complaint (SP-E07, SP-E06, SP-E11). These formal complaints are often treated by the police as labour exploitation instead of trafficking which diminishes the trafficking statistics. For construction work, traffickers recruit men. Women are used more for domestic service. According to police data, at times of most intensity in the harvesting/picking of agricultural products, there can arise immigrant settlements of around 5,000 people per harvest season, many of them trafficking victims (SP-E05, SP-E07, SP-E10, SP-E06, SP-E11).

Based on a recent case from Latin America, small-time traffickers appear, particularly in Central America (Nicaragua),<sup>12</sup> generally of women, aimed at domestic service (SP-E10). The traffickers provide the victims with around €3,500 in order to enter as tourists (covering passport, aeroplane ticket and the money required as a tourist). They demand that the property of the family is pledged as collateral for the debt, but in reality, they take both the property and the money the victims earn in domestic service. They enter the country through Barcelona airport, with stopovers in Panama, Mexico, and Paris. Debt repayment is monthly with 10% interest. However, as it is a compound interest it proves impossible to end the debt. Furthermore, the costs of accommodation and upkeep are added to the debt (SP-E10). These costs are variable depending on the area and the season – between €5 and €10 are typical amounts. It is very significant considering the victims' monthly salary.

In the case of Chinese textile workshops that have been dismantled in Barcelona, trafficking occurred through the requests of companies set up for that purpose, which were in principle fronts but subsequently had some activity (SP-E14). Two or three workers are usually requested on behalf of these companies, fulfilling the requirements of Spanish law. This is what is known as "people laundering" (SP-E14). In these cases,

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<sup>12</sup> A police investigation in Murcia.



each worker had to pay between €16,000 and €18,000 for their job, and they worked in conditions of slavery, unaware that they were victims of a crime (SP-E14). The costs of recruitment and transportation of the victims do not differ greatly from those stated above for the purpose of sexual exploitation.

As mentioned previously the number of cases is very low and the information available is very scarce. As mentioned in the conclusions, there is a challenge ahead for the authorities to determine whether these crimes are marginal or not clearly identified yet.

### Estimates of costs of victims for traffickers

In Spain, the number of victims of trafficking for the purpose of labour or sexual exploitation are not known with exactitude. Figures are often mentioned that are not verified, which is due to a wish to create sensationalist effects, rather than actual or estimated accounting. The available data comes from NGO records of victim assistance, or from police operations recorded by the Public Prosecutor's Office. However, these samples are biased and do not represent the whole population, which tends to be hidden, wider and more diverse. In this regard, the samples examined in ethnographic studies can provide more accurate estimates. Using two academic studies that apply rigour and quality (Malguesini et al., 2005 and Sanchis, 2011),<sup>13</sup> we can estimate a figure of around 100,000 people that work as prostitutes. From the ethnographic work carried out by the team for this report, we can estimate that between 20% and 40% of these women could be, or have been, victims of trafficking.<sup>14</sup> If we use the mid-range to estimate the victims, we get a figure of around 40,000 women in Spain. Although we cannot determine the time period, it can be understood that this is a cumulative prevalence.<sup>15</sup> Using the percentage distribution of nationalities recorded in the state-level reports of NGOs<sup>16</sup> (Médicos del Mundo/Médecins du monde, 2017; APRAMP, 2017), that provide assistance to people who work as prostitutes and that detect trafficking victims, around 55% are from Latin America, 25% from eastern Europe, 15% from sub-Saharan Africa and 5% from Asia (China). We are aware that this is a hypothetical estimate as there are no real data that can validate it. The exact figure

<sup>13</sup> Malguesini et al., 2005. *Impacto de una posible normalización profesional de la prostitución en la viabilidad y sostenibilidad futura del sistema de pensiones de protección social*. [Impact of the possible professional normalization of prostitution in the future viability and sustainability of the social protection pensions system.] Unpublished report; Sanchis y Sierra, 2011. *El mercado de la prostitución femenina. Una aproximación desde el caso valenciano*. [The female prostitution market: an approximation using the example of Valencia.] *Política y Sociedad*, 48, 175-192.

<sup>14</sup> In the ethnographic work conducted in brothels, the women were asked how they started to work in prostitution, and between 2 and 4 women out of every 10 had been recruited and deceived to come to Spain by trafficking networks. The NGO Médecins du Monde found evidence of sexual trafficking for 573 people, 7% of the people assisted (9,451) in 2016. This percentage, however, is very low. It might indicate an annual prevalence, whereas our ethnographic data gives a cumulative prevalence. The distribution of potential victims differs by sector: while the women working as prostitutes on the street are mostly victims of trafficking or smuggling, this is not the case in brothels or apartments.

<sup>15</sup> Refers to the number of women that started prostitution as a consequence of trafficking at some point in the 2005 – 2017 period.

<sup>16</sup> Data calculated using the records of attendance to those working in prostitution, of the NGOs Médecins du Monde and APRAMP for 2016.

of sex workers remains hidden as in Spain there is a lack of studies to determine them with rigour.

According to two reports by the NGOs mentioned, more than 80% of the people who work as prostitutes in Spain are foreigners (Médicos del Mundo, 2017; APRAMP, 2017). If we rule out those of Spanish nationality, we find that the women of Latin American origin are the most numerous (Brazilians, Dominicans and Colombians), followed by those coming from eastern Europe (Romania and Bulgaria) and sub-Saharan Africa (Nigeria), and lastly those from Asia (China). The highest costs for traffickers are for those coming from Africa, due to the longer journey and larger number of intermediaries, and those from Latin America due to the greater number of women (see Table 7).

**TABLE 7. COSTS ESTIMATES FOR TRAFFICKING FOR THE PURPOSE OF SEXUAL EXPLOITATION**

	Sub-Saharan Africa	Latin America	Eastern Europe	China
Costs per victim until arrival in Spain	€10,000	€3,000	€150	€2,000
Estimating 40,000 victims Cumulative prevalence	15% (6,000)	55% (22,000)	25% (10,000)	5% (2,000)
<b>Cumulative cost</b>	<b>€60 million</b>	<b>€66 million</b>	<b>€1.5 million</b>	<b>€4 million</b>
Estimating 7% annual prevalence of 7,000 victims	15% (1,050)	55% (3,850)	25% (1,750)	5% (350)
<b>Annual cost</b>	<b>€10.5 million</b>	<b>€11.55 million</b>	<b>€263,000</b>	<b>€700,000</b>

*Source: Authors' calculations.*

Lastly, we estimate the annual prevalence volume of victims of trafficking for the purpose of sexual exploitation at 7% of the population (women) whose main activity is prostitution. This estimate is based on, as we have stated, the reports of the largest NGO in Spain (Médicos de Mundo, 2017), which assists a large section of society in contexts of prostitution and with long experience in victim detection.

### 3.4. The money deriving from the victims

Once in Spain, the victims are informed that they have incurred a debt of between €6,000 and €8,000 for those coming from Latin America, between €3,000 and €4,500 for those coming from eastern Europe, between €35,000 and €70,000 for those that come from sub-Saharan Africa and between €20,000 and €30,000 for those coming from China (SP-E02, SP-E05, SP-E12, SP-E13, SP-E14, SP-E07, SP-E08, SP-E06, SP-E11, SP-C02, SP-C03, SP-C04, SP-C05). All of these are in cases of sexual

exploitation. If the exploitation is for labour, the debt is not so high and is variable, depending on the sector of the labour market in which victims are being exploited.

In all cases the women are charged for room and board, around €300 to €500 a month in a shared apartment, which generally houses three other women in the same situation and who usually work as prostitutes on the street (SP-C02, SP-C03, SP-C04, SP-C05). Judging by the sentences (see Appendix 1), if they work on the street, they have to pay €100 a month for the street section they occupy, since it is controlled by pimps and organised groups.<sup>17</sup> If a woman has come with a child, a network member looks after it and charges around €200 a month for the service. The victims do not handle money, hence their working clothes, condoms, sex toys and other products that they need are provided by the exploiter. If they need asylum, they are charged €300 more for arranging it.

**TABLE 8. TRAFFICKING FOR SEXUAL EXPLOITATION**

Costs	Sub-Saharan Africa	Latin America	Eastern Europe	China
Costs per victim until arrival in Spain	€10,000	€3,000	€150	€2,000
Income: Debt demanded	€30,000 to €70,000	€6,000 to €8,000	€3,000 to €4,500	€20,000 to €30,000
Estimate of cumulative victims	15% (6,000)	55% (22,000)	25% (10,000)	5% (2,000)
Estimated cumulative income At the minimum*	<b>€180 million</b>	<b>€132 million</b>	<b>€30 million</b>	<b>€40 million</b>
Estimated 7% annual prevalence, 7,000 victims	15% (1,050)	55% (3,850)	25% (1,750)	5% (350)
<b>Annual income At the minimum*</b>	<b>€31.5 million</b>	<b>€23.1 million</b>	<b>€5.25 million</b>	<b>€700,000</b>

*Source: Authors' calculations.*

If they are accommodated in a brothel, there are other expenses that are added to their debt: kits of towels and sheets, between €5 and €10 for each client, an average of 10 clients a day, so €50-€100 a day; cosmetics, clothes, condoms, and other products that they need, around €300 a month; payment for the room, full board, between €40 and €80 a day (€1,500 to €2,400 a month); handling of documentation or visa renewal (€1,300); payment for photographic features for websites or

<sup>17</sup> There are several industrial estates where prostitutes work, such as Alfafar in Valencia, Guadalhorce in Malaga or Marconi in Madrid. In the Marconi industrial estate, on the outskirts of the city of Madrid, the locations for prostitution are controlled by a mafia that charges the women or their pimps.

internet advertisements (€1,000); cosmetic surgery.<sup>18</sup> In some brothels run by the traffickers, they also charge the women €30 for every client they do business with – in other words, as though it was a commission.<sup>19</sup>

This therefore means a minimum of between **€30 million and €180 million** in cumulative prevalence, and between **€700,000 and €31.5 million** in annual prevalence, that the trafficking networks would obtain solely in terms of debt incurred. However, to this debt other costs that are extracted from the victims must be added. The costs of accommodation, products or services that they need for themselves or to work as a prostitute are charged apart or added to the debt. These are summarised in Table 9.<sup>20</sup>

**TABLE 9. OTHER EXPENSES EXTORTED IN ADDITION TO DEBT**

When exploited on the street	When exploited in a brothel
<ul style="list-style-type: none"> <li>• €300 to €500 a month for room and board if they live in an apartment</li> <li>• €100/month for a street section</li> <li>• Condoms</li> </ul>	<ul style="list-style-type: none"> <li>• €4 to €8 a day for room</li> <li>• €1,000 internet advertising</li> <li>• €5 to €10 for sheet and towel kit for every client</li> <li>• Lingerie and other products for work</li> <li>• Photographic features for advertisements</li> </ul>
<ul style="list-style-type: none"> <li>• €300 for arranging asylum</li> <li>• €1,300 visa renewal</li> <li>• Cosmetic surgery (usually not compulsory)</li> <li>• €300 gynaecological check-ups (usually compulsory, monthly)</li> </ul>	

*Source: Authors' calculations.*

These expenses are difficult to count and estimate. While some of them are one-off (arranging asylum application, advertising or photographic feature), others are daily, such as the sheet and towel kit. The income obtained from working as a prostitute vary according to the place where it is undertaken, the province and the physical characteristics of the women.

The costs shown in the table above are the minimum, obtained in interviews that the team behind this report has conducted in other research on women who are not forced to work as prostitutes (Meneses Falcón, et al., 2017). From this occupation they could thus earn between €2000 and €8,000 a month, with an average of three clients a day. The prices can vary a great deal, depending on the type of sexual services

<sup>18</sup> Judgement 1/2015 of Russian network of traffickers.

<sup>19</sup> Case of Russian traffickers. Supposing an average of 10 clients/day, in an average brothel of 40 women, the daily earnings for the women's services are  $30 \times 10 \times 40 = €12,000$  in commission daily.

<sup>20</sup> Data collected in ethnographic work in brothels by the principal investigator of this report.

**TABLE 10. ESTIMATE OF INCOME FROM SEXUAL SERVICES**

Street/Industrial estate	Brothel	Apartment
€5 to €40 per service	€40 to €100 per service	€60 to €120 per service
	50% commission fee for consumption of alcohol	

Source: Authors' calculations.

that each woman offers and the length of time they spend with the client. In the case of brothels, the women also earn 50% commission for each drink the client has with her. In general, the price of the drink is between €10 and €20, and they usually have two or three drinks before performing sexual services. It is likely that these earnings increase under conditions of sexual exploitation in trafficking, because these women cannot choose their clients, are compelled to carry out all types of sexual practice and the number of clients is fixed by their traffickers.

Regarding labour trafficking, in order to make an estimate we rely on the examples given by our key informants in interview (SP-E07, SP-E08, SP-E06, SP-E11).

**TABLE 11. COSTS OF TRAFFICKING FOR LABOUR EXPLOITATION**

Costs/Income	Domestic service	Agriculture
Costs per victim until arrival in Spain	€3,500	€150 Bus from Romania or Bulgaria
<b>Income:</b> Debt demanded	€3,500 + 120% annual maintenance expenses	€36/day picking strawberries (25 days, €900/month) €47/day picking oranges (25 days, €1,175/month) €150 documentation €15/day tool hire and transport to the farm (25 days, €375)  Costs of room and board are sometimes charged separately.

Source: Authors' calculations.

The oranges season (Seville) is three months long. Calculating the salary, tool hire and transport costs for the picking season, the earnings for each worker are approximately €4,650. In the case of strawberry, raspberry

and blueberry picking (Huelva), the season lasts four months<sup>21</sup> and the earnings €3,600 per worker (SP-E06, SP-E11). Some 15,000 people are needed for the strawberry harvest. According to our key informants (SP-E06, SP-E11), settlements of up to 5,000 men from sub-Saharan Africa, Romania and Bulgaria spring up for these harvests. A proportion of them will be victims of labour exploitation (a crime against workers' rights) or of trafficking for this purpose (particularly Bulgarians and Romanians). In some fruit-picking provinces, up to 18 worker settlements have been counted, with approximately 200 people in each, around 3,600 people in total, many of them with irregular documentation.

Victims of trafficking for labour exploitation are also charged for room and board (even though the accommodation is in warehouses or barracks in unhealthy conditions), work materials and tools, transport to the farm, and so on (SP-E06, SP-E11).

**TABLE 12. ESTIMATES OF INCOME FROM LABOUR TRAFFICKING  
BASED ON TWO CASES**

Strawberry picking (Huelva)	Orange picking (Seville)
€3,600/worker/season	€4,650/worker/season
Crew of 100 workers €360,000	Crew of 100 workers €465,000

*Source:* Authors' calculations.

The traffickers tend to be of the same nationality as the workers and usually contracted as overseers by the farm owners/agricultural businesses. In Andalusia, these overseers are called *Manijeros*. As they have paid for the bus ticket to bring the workers to Spain, they use this supposed debt as a reason not to pay them for work they do. At the end of the month instead of paying

them their full wages (around €900),<sup>22</sup> they deduct the costs of tool hire, transport, life insurance (which has been agreed with the bank on opening their current accounts and of which the workers know nothing about), and accommodation, which means that the final sum deposited in the workers' bank accounts is only €100 (SP-E06, SP-E11).

In Catalonia, trafficking networks for labour exploitation that use the form of worker cooperatives have been detected. In some cases, the cooperative covers the whole process. In many others, Spanish companies hire the cooperative to carry out certain jobs. Some of these cooperatives were dismantled in 2017 (SP-E14). Under this form of labour organisation, workers are not directly contracted, but are made members of the cooperative. They are only paid, supposedly, if there are profits. Victims work when there is demand whether this means two or twenty hours per day. The employer, or manager, is usually Spanish, but the person in charge of finding the victims has Chinese nationality residing in Spain. The victims must pay a debt of around €20,000 so their income is very small and barely covers their support. Some of the victims, once they have paid their debt, become part of the Chinese

<sup>21</sup> Sometimes there are several harvests, but we only estimate the picking of one harvest.

<sup>22</sup> Perhaps less because, although this is the amount that they are due as a standard, the overseer will offer them less money, around €400 to €500.



human trafficking organisation and, in turn, control or exploit other newly arrived.

### 3.5. Profits and profit sharing

As already pointed out, the destination of the money earned from exploitation will differ, depending on the type of trafficking network and the sums involved. Therefore, for the small-volume trafficker, the profits obtained will be their source of income for living, and depending on whether they are exploiting one or more victims, they may be able to acquire assets (a car, a house or some luxury item), but in general the low-level trafficker obtains a minimum of between €2,000 and 3,000 monthly through the exploitation of one victim.

When the organisation is medium-sized, in which there are at least four or five people involved in recruitment, transportation and exploitation, at least four or five victims are needed to gain a profit, depending on their origin.

An example of a medium-sized network would be any of the Nigerian networks. A specific case is court judgement 33/2015, Pontevedra (J14, in Appendix 1). In this judgement, three female victims are named, with debts of €45,000 each, making a total of €135,000. The three defendants have their money deriving from illicit means (bank transfers and deposits that cannot be accounted for) seized, amounting to: defendant A, €73,450 in two years; defendant B, €212,481 in two years and a Mercedes; defendant C, €310,000, in three years. This income comes to a total of €595,931, which reveals that more victims had been exploited than the three named in the summary. Most probably, part of this money is paid to members of the network with different functions, in Spain and in Africa.

The large, highly organised transnational networks, according to the analysis of court judgements, were from eastern Europe, specifically Russia, and from sub-Saharan Africa, specifically Nigeria. A Russian case (Judgement 1/2015, Madrid – J15, Appendix 1) provides suitable illustration.

The organisation is headed by a man, responsible for the network, and his wife, who is the bearer of all the former's assets and who collaborates in different tasks. He controls the whole business, even taking on the distribution of the women around the different brothels (internal trafficking). Another person recruits young women in different Russian cities, and yet another prepares the passports, altering the entry and exit stamps, without leaving Spain, sending them to Russia where they are falsified. There is also the person who distributes the women to the brothels, when the head man does not do so personally, collecting money off them (€1,500 per woman provided, 20% of their earnings and €1,300 for visa renewal), and another who controls, collects their money and exploits the victims in the brothels. A separate individual physically moves the victims from one club to another. Each woman is expected to earn from €4,000 to €6,000. The women pretend to

send money to their families, but the money goes to their recruiters in Russia. They open current accounts in Spain and collect the money directly from the brothel women in cash. Some of these brothels are the property of network members or have owners, also Russian, that collaborate with the organisation. The brothels to which they transfer the women are managed by members of the network.

From these cases and from the analysis of the interviews, we can point out several different forms of moving money:

- The Nigerian networks send the money to their country of origin, occasionally enduring poverty and scarcity in Spain, but they and their families have assets in Nigeria (SP-E12, SP-E13, SP-E14, SP-E02).
- When they use intermediaries on the sub-Saharan routes and networks, sometimes the victims are told to pay the network member who has collaborated on the journey instead of the final trafficker, and when the debt with the former is paid off, they continue paying the latter. Thus, the money is moved around less (SP-E12, SP-E13, SP-E14).
- The trafficking networks from eastern Europe invest money in assets and luxury items in their country of origin. On occasion, these groups display ostentatious wealth via Facebook, which means that this kind of social media publicizing can be used to monitor revenue from exploitation (SP-E01, SP-E02, SP-E03).
- Sometimes, it is not the traffickers that send the money but the victims, who wire the money to their families, and these families then pay the traffickers in the place of origin. These cases have been detected both in Latin America and in sub-Saharan Africa (SP-E01, SP-E02, SP-E05, SP-E12, SP-E13, SP-E14).
- Another form of handling the money in the case of Nigerian networks consists of sending various articles that are then sold in shops in Nigeria (SP-C01, SP-C02, 1W15). The delivery of products can be small or large scale. The shipment from the port of Barcelona every fifteen days of 53-foot containers completely filled with a very diverse range of products (cars, electrical appliances, clothes, butane canisters, etc.) has been documented (SP-E14). The money made from their sale is accumulated in a current account in Nigeria, which is used to make payments from there (SP-C02).
- On other occasions, the money transfer system known as Hawala is used. It is based on codes of honour and trust (SP-E01, SP-E12, SP-E13, SP-E14). Thus, a network member A, located in Spain, tells another member in Nigeria, B, whom he/she knows, to pay a third person, C. The relationship between A and B is based on trust and word of honour in the fulfilment of the request. When B needs a payment made in Spain, he/she turns to A, who returns the favour, thus meaning that the money is not moved and is very difficult to track. This payment system avoids transfers that can be tracked by the police, leaving no trace as there has been no physical transfer of money and is based on word and honour.
- In some cases, but above all in the eastern European networks, webs of ghost companies are created to launder the money, or in the purchase of assets by the traffickers or members of their families, in case they are detained and so that their assets are not

- seized (SP-E01, SP-E02, SP-E03, SP-E14).
- Nigerian and Chinese networks also carry the money personally to their countries. The amount of €10,000 is the maximum that can be taken in cash without having to be declared (SP-E05, SP-E14). Up to four journeys to Nigeria have been counted, each time carrying this sum of money, either some of the trafficking network members travelling separately or four people on the same journey (SP-E05, SP-E14). Sometimes, the money is shipped in cash in the containers that are chartered from the port of Barcelona (SP-E14).
  - Front men have also been used, or third persons for whom a bank account is opened, or the trafficker's asset is placed in their name, sometimes without them knowing this (SP-E03, SP-E05, SP-E14).
  - The Chinese organisations use loss-making companies to launder money, particularly Chinese restaurants or similar businesses (SP-E03, SP-E14, SP-E07).
  - There are cases of transfers to tax havens and movement of transfers to different countries until reaching those tax havens. Remitters are often used for sending money (SP-E03). In the case of Nigeria, current accounts can be opened without much identification or documentation (SP-E14).
  - Lastly, money transfers have also been detected entrusted to other people so that they make them instead of the traffickers, thus avoiding the appearance of the trafficker's name. The commission for doing so costs €100 per transfer. This method is used by Chinese and Nigerian networks (SP-E03, SP-E05, SP-E14).

### **3.6. The role and impact of the internet on human trafficking activities and finances**

The information and communication technologies have provided traffickers with greater flexibility in their actions and in obtaining the benefits from human trafficking. Three activities of traffickers benefit from the new technologies: the recruitment, the exploitation of victims and the movements of money (Hughes, 2014; Europol, 2016).

Although there are hardly any studies on the use of the internet to recruit victims for sexual exploitation in Spain, there is ample evidence that this means is used for that purpose. We have located ads in the Dominican Republic (Meneses-Falcón, 2017) for supposed jobs in Spain, obtaining significant monthly income. The advertisements refer to a web page where interested parties' data are requested for contact and recruitment. In interviews with convicted persons (SP-E01, SP-E02, SP-E05, SP-E12, SP-E13, SP-E14) it is evident that there is a significant recruitment activity in the countries of origin through newspaper and Internet advertisements. However, in the recruitment of victims for labour exploitation, newspaper ads or personal contacts are used (SP-E06, SP-E11).

When the victims for sexual exploitation are in Spain, the traffickers use the internet to advertise their victims as well as contacting customers (SP-E01, SP-E02, SP-E05, SP-E12, SP-E13, SP-E14). They do it through ads on existing web pages, or that they themselves create.

In a study carried out on flyers with advertisements for sexual services distributed on the windshields of cars on the streets of Madrid (Meneses-Falcón, et al., 2017), it became clear that most of them included internet addresses. Although a quantitative study is not carried out, a very significant percentage of them were suspected of sexual exploitation and coercion.

Sometimes, victims are forced to pose for photographs of these ads that in turn serve as control and blackmail to maintain their exploitation. Usually victims are threatened with sending them to their families. On the other hand, the use of security cameras inside the brothel also serves the traffickers to control the victims so they cannot escape exploitation. In addition, women of sub-Saharan origin are offered a mobile phone by the traffickers from which they are controlled (SP-E02, SP-E05, SP-E12, SP-E13, SP-E14).

Finally, there is evidence that the internet is being used as a fast and efficient way to make money transfers. As we have seen, traffickers use sophisticated methods for the movement of money with the objective of being undetected. However, transfers through the internet are still used, especially when dealing with small amounts. Generally, it is not the traffickers themselves who will make all the transfers, but they will use the victims or other people to make the transfers to a current account in their country. By doing so, they divide the total amount and avoid attracting the attention of the money laundering prosecutors (SP-E03, SP-E05, SP-E12, SP-E13, SP-E14).

#### **4. FINANCIAL INVESTIGATIONS OF HUMAN TRAFFICKING CRIMES: CHALLENGES AND GOOD PRACTICES**

As we have stated, up until now the investigation in Spain of trafficking crimes has been focused on the victims and the pursuit of the traffickers. This approach is evidenced both in the legislation and in the investigations and convictions. The modus operandi of the traffickers is ever more sophisticated and greater difficulty is being encountered in the prosecution of these crimes. Those that have been thwarted and the sentences imposed are based fundamentally on the declarations of the victims.

Among the challenges that must be faced, the following stand out:

1. Investigation methodologies based on following the financial transactions and on their tax implications have been scarcely used (SP-E01, SP-E02, SP-E03). The opening of these lines of investigation is recent (2017) and their results are still awaiting evaluation. These investigations require finance skills and a closer collaboration between the human trafficking and tax and money laundering law enforcement bodies. Currently the scarce resources available for the latter are concentrated on pursuing other types of crimes which involve higher economic volumes.

2. The statistics and data on the trafficking of human beings requires greater systematisation, organisation and unification. The information and data are dispersed, and they are not always in agreement when they come from different institutions. Greater transparency, and better accessibility, of the data is needed, as at times it proves difficult to locate and obtain them. As well as direct data, specific studies are needed of the context and market where the exploitation takes place. We are referring to the specific labour markets where trafficking for the purpose of labour is prevalent, and prostitution when the purpose is sexual. For the latter, there is no study on the national level that addresses its prevalence, its characteristics and its dimensions.
3. Greater effort is required in the detection and identification of trafficking for the purpose of labour exploitation. This is frequently not distinguished adequately from other offences against workers' rights, and the trafficking aspect often goes unnoticed. In order to achieve this, the following are necessary: a) better training of the professionals and police forces not specifically assigned to the pursuit of this crime; b) widening of the controls and inspections in the more precarious, temporary and seasonal sectors of the labour market, which is where those cases detected and identified have been found; c) improvement in labour legislation so as not to facilitate exploitation,<sup>23</sup> as almost everything results in an offence against workers' rights.
4. Those detained, investigated and convicted are, above all, intermediaries belonging to small and medium-sized networks. The investigation of and access to the network bosses and the more organised networks need to be conducted with greater emphasis and resources. Most of those convicted in Spain for trafficking crimes do not belong to large organisations and never occupy the highest positions of responsibility in them.
5. The falsification of personal documents, visas and entry and exit stamps is done with ease. The utilisation of the same passport for the entry of different people coming from sub-Saharan Africa is particularly frequent, given that once one person has entered the passport is sent back to be used by another person. The use of electronic chips or displays would make it possible to eliminate paper and the possible falsification of stamps.
6. The investigation of trafficking crimes is still very dependent on the declaration of victims, who do not tend to report or declare due to the fear they have of their traffickers. A change of focus must be put into effect, with more monitoring of the money, based on the prosecution of tax crime, money laundering and the unexplained wealth of the traffickers.
7. Spanish court rulings on trafficking networks of Latin American origin are scarce. However, the interviews obtained from informants and the results of the investigations conducted show that Latin American women are proportionally more numerous in the sector of prostitution. It should be examined whether this is a shortfall in getting to these

<sup>23</sup> The businessman or overseer has a very long period of time in which to register the workers in the social security system. They can do so on the same day until midnight. The harvesting of agricultural products may be carried out between 6am and midnight, whether the worker has a residency or work permit or not.

criminal organisations or whether, on the contrary, in this migratory influx, smuggling predominates over trafficking.

Good practices that can be highlighted are:

1. The creation of the Office for Asset Recovery and Management (ORGA) in 2016 is a clear step forward in pursuing the human trafficking crimes in general and the financial aspect of it in particular. The Office applies the results of the management and realisation of the effects, assets, instruments and proceeds of crime for the purposes provided in the Spanish Law of Criminal Procedure. Although it deals with the assets recovered from all types of crime activities, in the case of human trafficking is already playing a pivotal role in detecting crime and incriminate criminals when other evidences are difficult to obtain. However, it is still early to evaluate how decisive is going to be in the coming future.
2. Spanish border controls are quite exhaustive and efficient, which has a double impact on trafficking. On the one hand it is making difficult the transfer of money from the destination to the origin countries. On the other hand, trafficking networks have to seek other destinations as transits in order subsequently to enter Spain.
3. The controls and inspections of brothels by the Spanish police since 2011 have enabled the dismantling of some trafficking networks and the stagnation or closure of many brothels practising exploitation, an effect that has gone hand-in-hand with the economic crisis. A strategy that has been used in recent years to evade these controls is the transfer of the business to apartments or houses that cannot be searched without a court order, because they are considered private property and not regulated by an operating licence for prostitution. Regulation of these businesses is needed to enable the Spanish police to carry out exhaustive inspections.
4. Medium-sized human trafficking networks originating in eastern Europe and sub-Saharan Africa have been dismantled, as can be seen from the Spanish conviction rulings, which have made it possible to learn more about how the trafficking networks operate.

## 5. CONCLUSION AND RECOMMENDATIONS

Spain has a strategic geographical position in Europe for the entry of victims of trafficking for the purpose of sexual exploitation from Latin America and sub-Saharan Africa. But the efficiency of border controls frequently leads the networks to other nearby countries as transit. However, most of the victims come from eastern Europe given that there are fewer risks and the movement of traffickers and victims is easier in the Schengen Area. The conditions of the agricultural labour markets and the market for sexual services means that Spain is an important destination for the trafficking networks to bring their victims. In general terms, it is worth pointing out that the trafficking organisations have little investment in the victims they recruit and reap significant profits from them. We can conclude with the following points:



1. The trafficking networks that invest the least are those originating in Eastern Europe, whose cost per victim is the price of the bus to bring them to Spain (€100); and those that invest the most are the sub-Saharanans, with a maximum cost of €10,000 (transportation, accommodation, straits crossing, documentation and bribes). In between are the investments made by networks originating in Latin America (€3,000) and China (€2,000).
2. In the case of trafficking for the sake of sexual exploitation, debts of €6,000 to €8,000 are demanded from Latin American victims, €3,000 to €4,500 for those from eastern Europe, €20,000 to €30,000 for those from China, and €30,000 to €70,000 for sub-Saharan Africans, approximately. To these earnings must be added other payments that are extorted from the victims, including room and board, documentation, asylum requests, sheet kits, commission for every client attended, medical check-ups, payment for the use of public spaces to work as a prostitute, etc.
3. With regard to the victims of trafficking for the sake of labour exploitation, the traffickers deduct between €3,600 and €4,650 from their pay per worker and season, and they also charge them for room and board, tool hire, transport to the farm, documentation, etc.
4. The destination of the money that they obtain from the victims may either be invested in Spain or, in most cases, sent to the country of origin of the trafficking organisation. There are several ways of sending the money: carrying it in cash on the person to the country of origin, by one or several people, with a maximum of €10,000 per person; paying somebody €100 to make a transfer; using the Hawala or Daigou<sup>24</sup> (Chinese) payment systems, based on codes of honour and favours; utilising loss-making companies to launder the money and later operate with it; using front men or third parties in whose name they put the assets or current accounts into which they have invested the money; using remitters; or the victim sends the money to his/her family and the latter then pays the traffickers in their country.
5. The new technologies are used by the trafficking networks in the recruitment of victims (job advertisements) and in advertising their victims (advertisements of sexual services). Other uses have not been detected in this research.

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<sup>24</sup> Daigou means "buying on behalf of." It is a channel of commerce in which a person outside of China purchases commodities (mainly luxury goods) for a customer in mainland China, since prices for luxury goods can be 30% to 40% higher in China than abroad. It is often used for money laundering.

## LIST OF INTERVIEWEES

Respondent code	Position/Department	Institution/Role
SP-E01	Attorney General	State Public Prosecution Office, Spain
SP-E02	Province Chief Attorney	State Public Prosecution Office, Spain
SP-E03	Public prosecutor economic affairs	State Public Prosecution Office, Spain
SP-E04	Public prosecutor trafficking, Santo Domingo	State Public Prosecution Office, Dominican Republic
SP-E05	Captain, Offences against person	Guardia Civil (National)
SP-E06	Lieutenant	Guardia Civil (Regional)
SP-E07	Inspector Seville 1	National police, UCRIF
SP-E08	Inspector Seville 2	National police, UCRIF
SP-E09	Inspector Seville 3	National police, UCRIF
SP-E10	Inspector Murcia	National police, UCRIF
SP-E11	Inspector Huelva	National police, UCRIF
SP-E12	First Agent, Offences against the Person	Ertzaintza, Basque Country
SP-E13	First Agent, Offences against the Person	Ertzaintza, Basque Country
SP-E14	Sergeant, Human Trafficking	Mossos d'Esquadra, Catalonia
SP-E15	Director	ORGA
SP-C01	Criminal entrepreneur	Nigerian, trafficker
SP-C02	Criminal entrepreneur	Nigerian, trafficker
SP-C03	Criminal entrepreneur	Nigerian, trafficker
SP-C04	Criminal entrepreneur	Romanian, trafficker
SP-C05	Criminal entrepreneur	Paraguayan, trafficker
SP-C06	Criminal entrepreneur	Romanian, trafficker

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## APPENDIX 1. ANALYSIS OF SEXUAL TRAFFICKING SENTENCES IN SPAIN

Nº	Sentence	Origin	Profit from victim
J1	677/2012 Madrid Sexual Trafficking	Paraguay	€4,500
J2	9/2013 Barcelona	Romania	
J3	153/2013 Madrid Sexual Trafficking	Romania	€3,000
J4	Not registered/2014 Madrid Sexual Trafficking	Romania	Not specified
J5	269/2014 Castellón Sexual Trafficking	Romania	Not specified
J6	327/2014 Madrid Sexual Trafficking	Brazil	€3,000
J7	341/2014 Madrid Sexual Trafficking	Guinea	Not specified
J8	186/2014 Valencia Sexual Trafficking	Nigeria	€50,000
J9	261/2014 Madrid Sexual Trafficking	Romania	Not specified
J10	733/2014 Madrid Sexual Trafficking	Nigeria	Not specified
J11	217/2014 Vigo Sexual Trafficking	Romania	Transportation costs
J12	3/2014 Madrid Sexual Trafficking	Romania	Not specified
J13	333/2015 Madrid Sexual Trafficking	Romania	Not specified
J14	33/2015 Pontevedra Sexual Trafficking	Nigeria	€45,000

Nº	Sentence	Origin	Profit from victim
J15	1/2015	Russia	Various figures for a total amount in excess of €200,000
J16	57/2015 Palmas de Gran Canaria Sexual Trafficking	Nigeria	Various figures for a total amount in excess of €50,000
J17	80/2015 Valladolid Sexual Trafficking	Romania	Not specified
J18	379/2015 Madrid Sexual Trafficking	Romania	Not specified
J19	947/2015 Barcelona Sexual Trafficking	Romania	
J20	451/2015 Lleida Sexual Trafficking	Nigeria	
J21	4/2015 Madrid Sexual Trafficking	Romania	
J22	34/2015 Madrid Sexual Trafficking	Romania	
J23	8/2015 Ávila Sexual Trafficking	Romania	
J24	809/2015 Madrid Sexual Trafficking	Romania	Transportation costs €100 per day (position on street) €300 per week (renting)
J25	177/2015 Madrid Sexual Trafficking	Nigeria	€50,000
J26	420/2016 Madrid Sexual Trafficking	Nigeria	€35,000
J27	109/2016 Barcelona Sexual Trafficking	Nigeria	€30,000 to €55,000 Depending on the victims
J28	433/2016 León Sexual Trafficking	Brazil	€30,000
J29	211/2016 Madrid Trata Laboral	Paraguay	€4,000
J30	157/2016	Nigeria	€70,000



Nº	Sentence	Origin	Profit from victim
J31	6/2016 Zaragoza Sexual Trafficking	Romania	
J32	538/2016 Madrid Sexual Trafficking	Nigeria	€4,000 per victim
J33	786/2016 Madrid Sexual Trafficking	Romania	
J34	1002/2016 Madrid Sexual Trafficking	Romania	
J35	97/2017 Albacete Sexual Trafficking	Romania	
J36	67/2017 Madrid Sexual Trafficking	Nigeria	€50,000
J37	166/2017 Madrid Sexual Trafficking	Nigeria	€50,000

# FINANCING OF TRAFFICKING IN HUMAN BEINGS IN THE UNITED KINGDOM

“Trafficking” in this chapter follows the definition introduced by the Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children (Trafficking Protocol) supplementing the 2000 United Nations Convention against Transnational Organised Crime (UNTOC). According to article 3 of the Trafficking Protocol, trafficking in persons is “the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation”. Exploitation includes, “at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs” (United Nations, 2000). The above definition of trafficking further involves two additional conditions: firstly, the consent of the exploited victim is irrelevant when the means specified in the definition have been used (art. 3(b)); secondly, the recruitment, transportation, transfer, harbouring or receipt of a person under the age of 18 (a child), constitutes trafficking in persons, even if the particular means specified in the definition have not been used (art. 3(c)) (United Nations, 2000).

While the UNTOC definition has served as the template for definitions of trafficking found in other pieces of national and international law, such as the 2005 Council of Europe Convention on Action against Trafficking in Human Beings, or the UK Modern Slavery Act 2015 (which essentially aggregated “human trafficking” and “modern slavery”), it does not resolve with certainty certain key issues as they arise in the empirical manifestations of the phenomenon. Firstly, the nature of the process leaves a considerable margin for uncertainty as to whether trafficking has genuinely taken place. From a victim-centred viewpoint the process may result in a non-harmful outcome, even though an illegal situation exists (for example, illegal prostitution or employment of adult migrants). According to the National Crime Agency (NCA), 82% of potential victims exploited for labour in the UK in 2014 were European Economic Area (EEA) nationals *legally* entitled to live and work in the UK (NCA, 2015a). Secondly, from the viewpoint of the offending behaviour, the grey area concerns the element of organisation as defined in the main body of the UNTOC (i.e.art. 2(a): “structured group of three or more persons”). Engaging in the trafficking process does not require crossing such particular organisational threshold; in other words, trafficking may not always involve an “organised criminal group” (see Antonopoulos and Papanicolaou, 2018).

When trafficking is a “transnational” crime, it is best understood as a *process* embedded in contemporary migration flows facilitated by push, pull and facilitating factors and involving the availability of *at-risk population* in the countries of origin (see van Liemt, 2004; Europol, 2011). The UK is primarily a *destination* country for trafficking victims from: central and southeastern Europe, the Commonwealth of Independent States (CIS); Africa; Asia; Latin America; and the Caribbean.<sup>1</sup> Although in UK policy, law enforcement and non-governmental organisation (NGO) rationale great emphasis is placed on human trafficking that is of transnational nature, it is important for one to remember that human trafficking is not always and necessarily a transnational crime. Indeed, in local, multi-agency settings in the country, domestic/internal trafficking has been also recognised as an issue affecting UK and British nationals and at an increasing rate (UK-E4; UK-E5; UK-E6; UK-E7; UK-E13; UK-E14, etc.).

The purpose of this chapter is to provide an account of the financial management of the human trafficking business in the UK, an area that is largely under-researched (see Zhang, 2009). The study is based, firstly, on interviews with a number of knowledgeable actors.<sup>2</sup> Secondly, intelligence reports by the Metropolitan Police were used. These intelligence reports are essentially problem profiles on either human trafficking in particular or organised crime in general with the purpose to inform tactical tasking and coordinating groups within the police. Finally, open sources on the topic have been used in order to gain a better understanding of the business models in the human trafficking business in general. These open sources include reports by academics, research institutes, the government (Home Office), national and international law enforcement agencies (British Police, NCA, Scottish Crime and Drug Enforcement Agency [SCDEA],<sup>3</sup> Gangmasters and Labour Abuse Authority [GLAA],<sup>4</sup> Europol, etc.), reports by international organisations (United Nations Office on Drugs and Crime [UNODC], Financial Action Task Force [FATF]), and NGOs. Open sources include media sources and press releases from law enforcement agencies. Following this introduction, the chapter is based on four substantive sections:

<sup>1</sup> There have also been cases in which the UK was a *transit* and *source* country for trafficking victims. In a rather unusual case, in 2008, the UK Human Trafficking Centre (UKHTC) identified vulnerable British nationals, who were trafficked by a British crime ‘collectivity’ to Norway. They were subjected to labour exploitation and were paid as little as £20 per week (Home Office, 2009).

<sup>2</sup> The sources have been coded in order to preserve their anonymity. The first two letters of the code indicate the country, “E” indicates an expert, “C” stands for criminal (entrepreneur)/trafficker/exploiter and “V” for victim. The description of the background of the individual sources can be found in the list of respondents in the references section.

<sup>3</sup> SCDEA dissolved in 2013.

<sup>4</sup> GLAA (formerly GLA) is essentially a labour inspection body, which was established in 2005 following the death of 23 Chinese cockle-pickers in Morecambe Bay in 2004. The GLAA licensing scheme regulates businesses to make sure they meet the employment standards required by law. An employment agency or labour provider, who provides workers to the agriculture, shellfish gathering or any activity associated with processing and packaging, needs a GLAA license. Licensing standards cover health and safety, accommodation, pay, transport and training, whether a labour provider is fit to hold a licence and whether tax, National Insurance and VAT regulations are met. A labour provider must have a GLAA licence to work in the regulated sectors; it is a criminal offence to supply workers without a licence or use an unlicensed labour provider (see [www.gla.gov.uk](http://www.gla.gov.uk)). In this report the acronyms GLA and GLAA are used interchangeably because some of the reports that are used were published by the authority under its old name.

- Section 1 provides a general overview of the human trafficking business and discusses existing relations between the legitimate sectors and human trafficking in the UK;
- Section 2 offers an account of the social organisation of human trafficking in the UK and the key actors involved;
- Section 3 describes the financial aspects of human trafficking in terms of source of financing, settlement of payments, costs of business, as well as the profits made and how the profits are spent and further invested. Finally, it examines the role of the internet in the human trafficking business and its finances;
- Section 4 deals with the good practices and challenges in relation to the financial investigation of human trafficking in the UK.

## 1. MARKET OVERVIEW

The British Government, through a “multiple systems estimation” approach, which analyses the overlaps between human trafficking cases that come to the attention of the authorities through various sources, estimates that there are between 10,000 – 13,000 *potential* victims of human trafficking (in all its forms) in the country (see Silverman, 2014). Of course, it is extremely difficult to determine accurately the scale of trafficking in the UK (and any other context), and have a clear picture as to the numbers of people who have been trafficked, due to the clandestine nature of human trafficking, underreporting, (often) culturally-induced reluctance to report victimisation to the authorities, “...significant intelligence gaps on human trafficking...” (UK-E9), lack of awareness and understanding of the signs of human trafficking (Hornsby et al., 2017), as well as discrepancies in statistical reports (see also Kelly and Regan, 2000; Goodey, 2008; Project Acumen, 2010; Weitzer, 2012). The official estimate admittedly is based on “very poor data around the number of people trafficked, and hence [there are] large margins for errors”...; “the analysis is based on estimates concerning the proportion of women involved in prostitution who are likely to have been trafficked ([and] it [is] not directly informed by evidence concerning the number of women observed to have been trafficked)” (Dubourg & Prichard, 2008: iii & 15). After 2009, the number of *potential* victims of human trafficking is a product of the National Referral Mechanism (NRM).<sup>5</sup> Between its inception in 2009 and December 2016 14,538 people were referred to the National Referral Mechanism (Table 1).

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<sup>5</sup> “The National Referral Mechanism is a framework for identifying victims of human trafficking or modern slavery and ensuring they receive the appropriate support. The NRM is also the mechanism through which the Modern Slavery Human Trafficking Unit (MSHTU) collects data about victims. This information contributes to building a clearer picture about the scope of human trafficking and modern slavery in the UK. The NRM was introduced in 2009 to meet the UK’s obligations under the Council of Europe Convention on Action against Trafficking in Human Beings. At the core of the NRM is the process of locating and identifying “potential victims of trafficking” (NCA, 2017b). To be referred into the NRM, potential victims must be referred by an authorised agency, known as the “first responder” (police, border force, GLA, local authorities, specific NGOs) to a “competent authority” (the UKHTC or Home Office Immigration and Visas – where trafficking may be an issue as part of an asylum claim).

**TABLE 1. NUMBER OF POTENTIAL VICTIMS REFERRED TO THE NATIONAL REFERRAL MECHANISM, 2009 – 2016**

Year	2009*	2010	2011	2012	2013	2014	2015	2016
Referrals	535	714	946	1,186	1,746	2,340	3,266	3,805

\* 2009 figures cover April-December only.

Sources: Home Office (2014); NCA (2015a); NCA (2017a).

In 2016, there were 3,805 potential victims submitted to the NRM, a 17% increase on 2015 figures, which were in turn a 40% increase on 2014 figures. Of these 3,805 potential victims, 1,936 were female (51%), 1,864 (48%) were male and a further 5 (<1%) were recorded as “transgender.” Reporting showed potential victims of trafficking from 108 countries, with Albanian, UK and Vietnamese nationals being the most commonly reported nationalities (NCA, 2017a). In 487 cases the type of exploitation was recorded as “unknown.” The number of underage victims was 1,278, the majority of whom were from the UK (255 children), an increase of 100.8% from 2015 (NCA, 2017a). One needs to be reminded that these are people referred into the NRM and are not necessarily confirmed as trafficking victims.<sup>6</sup> In fact, the Independent Anti-Slavery Commissioner in his first annual report noted that just over a quarter of the cases identified in England and Wales in 2015 under the NRM resulted in crimes recorded by the police (The Guardian, 2016). Moreover, according to a recent report by the National Audit Office, 46% of all referrals made in 2016 had not received a *conclusive* grounds decision as at March 2017 (National Audit Office, 2017).

According to Organised Crime Group (OCG) Mapping, in 2015 there were over 6,000 active OCGs consisting of nearly 50,000 individuals (NCA, 2016). However, there is no estimate of the OCGs that are involved in human trafficking in particular, and even if this was the case, the estimate would inevitably ignore the large number of *individual* traffickers. Network analyses of the trafficking cases known to the Greater Manchester Police in 2015, for instance, suggested that most suspects were individuals involved in just one crime of exploitation against one victim (Gadd et al., 2017; see also following section).

The number of prosecutions for “human trafficking”/“modern slavery” offences<sup>7</sup> is increasing (especially following from the Modern Slavery Act 2015) against a relatively low base compared to the referrals (see also Haughey, 2016). In 2015, for example, 117 offenders were prosecuted for modern slavery offences in the UK, 19% higher than the 98 prosecuted in 2014. From 2004 to 2015, 511 individuals were convicted for human trafficking/modern slavery offences (see Table 2).

<sup>6</sup> In addition, there is no link between these referrals, and arrests and convictions.

<sup>7</sup> “Modern slavery” was introduced as a separate crime recording category in April 2015.

**TABLE 2. NUMBER OF CONVICTIONS FOR HUMAN TRAFFICKING/MODERN SLAVERY OFFENCES IN THE UK, 2004 – 2015**

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Convictions	0	12	21	23	24	25	16	8	13	148	108	113

Sources: Haughey (2016: 13); www.parliament.uk.

At least three phases can be distinguished in the human trafficking process: a) recruitment; b) transportation from the place of origin to the place of destination and potentially the illegal entry of the trafficked person; and c) the exploitation phase (see Salt and Stein, 1997). The first phase, *recruitment*, excluding the event of abduction of the victim, is known to be facilitated by a diverse set of actors as friends and family of the victim, co-workers, people of spiritual authority, employment agencies, or even artistic management companies (UK-E1; UK-E2; UK-E3; UK-E4; UK-E5; UK-E5, UK-V1 etc.). In some cases, the context of the recruitment phase is informal networks in small localities in the country of origin. For instance, a significant number of trafficking victims from Romania in a locality in the north of England are recruited in Pentecostal churches in specific villages or small towns in the country in which there is an over-representation of Roma people; villages such as Calaras, Bacau, Vrancea, Focsani etc. (UK-E11). In many cases in the recruitment phase, traffickers take advantage of local financial and cultural peculiarities in the country of origin:

“So there, the understanding is, Vietnam, poor family, organised criminals in Vietnam say ‘right, we’ll give you whatever [payment], this is your money, send so and so [the trafficked victim(s)] to the UK, they’re now going to pay off the debt’. What that means for us is that we’ve now got a safeguarding issue because they’re a child, a child who won’t comply, because generally, a child from Vietnam, they’re much more streetwise than our kids, you’ve got a child who feels it is an honour to pay back the family debt, you’ve got a child who feels that their family will be seriously harmed or murdered if they don’t pay off the debt, and you have a child who probably still think that their life is still better here than it was in Vietnam” (UK-E5).

Traffickers may use legitimate agencies but even when an illegitimate front is used, they may present to the victim contracts and legal documentation as a means of alleviating any concerns about trafficking and masking the intended exploitation (UK-E1; UK-E2; UK-E3). Many of the exploited individuals are knowingly and voluntarily recruited for both the sex industry and the labour market in the UK. Although they know or suspect the labour sector they would be introduced in, they may be unaware of the level of exploitation. Forging documents or obtaining the necessary documents, by means of corruption and bribery of law enforcement or other officials is a possibility at this stage. The recruitment phase also involves false promises including “employment packages”



where they are also offered (tied) accommodation as part of their job, as well as various provisions and help with everyday life practicalities. For example, most Romanian people who come in the north of England for work are promised – apart from work on a contractual basis – help with the process of claiming benefits and health care (such as the services of a dentist). In the case of internal trafficking in the UK, recruitment very often involves homeless people, poor people hanging out in food banks and “soup kitchens,” individuals with mental health problems (Oram et al., 2015) and dependencies, and grooming (vulnerable) children and young people at care facilities (UK-E7). Interestingly, one of the research participants mentioned that an individual, who had been identified by the local police as a trafficking “risk,” attempted at joining Barnardo’s SECOS (Sexual Exploitation Children’s Outreach Service) Project on a voluntary basis in order to have access to potential victims (UK-E4). Finally, recruitment is also facilitated by information and communication technologies (see also sub-section 3.5).

*Transportation*, including the stage of harbouring the victims in transit, is also a phase in which different actors perform different functions (see following section) – the financial significance being that the involvement of a variety of actors entails transactions, which cannot be indiscriminately considered as part of an “organised crime activity”. The transportation to the UK, especially from other EU member states, is frequently executed legally. In the case of non-EU nationals, transportation involves mostly ports in the south and east coasts of the country (UK-E5).

There are two main forms of *exploitation* – a) *sexual exploitation* and b) *labour exploitation* – being relatively more visible and thus detectable than other forms of human trafficking, such as, for instance, organ harvesting and trafficking. Sex trafficking victims can be highly visible and engage in street-level prostitution but in many cases sex trafficking takes place in “underground” venues, such as private homes or brothels. Public and *legitimate* locations such as massage parlours, spas, health clubs, and strip clubs also act as fronts for illegal prostitution and trafficking.<sup>8</sup> Similarly, forced labour has been detected in labour intensive manufacture, construction and agriculture (e.g. fruit farms in Kent, cockle farms in Cumbria etc.) (see also UNODC, 2009), service establishments such as nails salons, car washes, garages, cleaning services, tanning salons, the hospitality industry, restaurants, the care industry, skip hire companies and waste disposals as well as domestic servitude.<sup>9</sup> What facilitates labour trafficking and exploitation in the UK is the extended labour supply chains, which allow for a high degree of separation between the agent (intermediary) who supplies labour, on one hand,

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<sup>8</sup> The number of sex workers in the UK is estimated to be around 72,800 with about 32,000 working in London. The EU enlargement of 2004 and 2007 had a remarkable impact on the nationalities of migrants working in prostitution in the UK (TAMPEP Network, 2009). According to the Sex Work Research Hub, street-based sex workers comprise just over 25% of sex workers in the UK, with the remainder working in diverse indoor settings (cited in House of Commons – Home Affairs Committee, 2016a: 10).

<sup>9</sup> In many cases, the two forms of exploitation coincide. For example, sexual intercourse with a (trafficked) woman many times, and specifically in public and legitimate locations such as massage parlours, spas and strip clubs involves the provision of non-sexual services, e.g. a massage, a dance, serving clients, etc.

and the end-user of labour, on the other. In such a diverse and devolved system, legal businesses are not always aware of where the workers were sourced and how they were recruited (Harris et al., 2014; Skrivankova, 2014). Finally, trafficking victims particularly from Vietnam are exploited in cannabis farms. According to the National Crime Agency, in 2016 the most common type of human trafficking recorded for both adult and child (minor) victims in the UK was trafficking for the purposes of labour exploitation (NCA, 2017a).<sup>10</sup> Some of the interviewees from law enforcement agencies and NGOs also attested to labour trafficking and exploitation commonly occurring in these sectors of work and establishments (although one needs to remember that there is often intersectionality within forms of exploitation, UK-E17; UK-E20):

“At the age of 16, the victim, who was an orphan, was sent by his foster parents to Russia from his home in Vietnam. He stayed in Russia for 6 years, working in a restaurant. He was then told he was coming in the UK, which he was happy about. He travelled to the UK in a truck with a number of others, in a journey that lasted several days, arriving in London in August 2013. He was taken to a restaurant and worked as a waiter and pot washer, and went on to work at a clothes factory. He was given accommodation and was allowed to eat at the restaurant for free but was never paid any money. In May 2014, he was taken from London to a house in Eaglescliffe [a town in the northeast of England]. He was given some food and was told to look after some cannabis plants. He did not leave as he had been threatened and was told he still owed money to the males who took him there” (UK-E9).

Human trafficking is dispersed throughout the country and it is rather difficult to identify hotspots other than perhaps the larger cities of the UK (for sexual exploitation): London, Birmingham, Manchester, Glasgow, Newcastle, etc. However, there seems to be a significant number of (known) labour trafficking cases in the south and east of the country and a significant number of (known) sex trafficking cases in the west, the north, Wales, Scotland, and Northern Ireland (NCA, 2016). It is also interesting to note that the exploitation of (the same) migrants may involve more than just the UK. Intelligence reports reveal that Albanian men and women with forged Italian passports travel to the Republic of Ireland, where they are exploited in the construction industry and in agriculture, and then move up to Northern Ireland for the same activities. In fact, they move from one country to the other on the basis of available work and for short time projects. These workers live in rented caravans or even in sheds.

Exploited individuals are controlled in a variety of ways. Workers are sometimes sold from one employer to another. Often violence and mostly threat of violence is employed. However, it is worth noting that

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<sup>10</sup> At this point it should be mentioned that an individual may be recorded as a “victim of labour exploitation” although no information is provided about the sector or type of exploitation. As such, someone may be recorded as a victim of labour exploitation whether s/he is exploited in a farm, a construction site and a factory or through begging and forcing them into participating in criminal activities (e.g. cannabis farms) (see NCA, 2015a).

when it comes to the sex industry in particular, competition compels entrepreneurs/traffickers to not be indiscriminately violent towards women and girls. This is not to suggest that violence is not present. The more clandestine the market, the more likely it is that there is abuse and violence (UK-E1; UK-E3; UK-4). It is also important to note that violence in the human trafficking business is often associated with specific cultural characteristics of some traffickers. For example, according to police intelligence reports, the willingness of some Chinese traffickers to use violence is seen as a method of 'saving face' and earning status within the trafficking collectivity rather than a rational need to control victims. In the human trafficking business there is less need for violence than in other illegal markets (e.g. drugs market, extortion/protection), and the reason, according to Kopp (2012), is the absence of a need to control a territory in the exploitation phase. This is reflected – among other – in the relatively harmonic coexistence among various small trafficking schemes in various small localities in the UK.

As regards labour trafficking – and apart from the very often clandestine nature of the phenomenon and the desperate need to earn money – there are conditions and circumstances that lead to exploitation, such as ignorance of employment and other rights in the UK, inadequate linguistic skills, and cultural issues such "acceptance of a hierarchy of family control with a fear of wider social consequences if working arrangements are challenged" (Beels, 2017: 4). Recent evidence in the UK suggests that in some instances exploited individuals (especially uneducated Romanian Roma with no adequate knowledge in English) are forced into specific conditions by being threatened that if they do not comply they will be "kicked out of the country" on the basis of Brexit (e.g. UK-E9; UK-E11). In rather exceptional cases, traffickers force exploited workers to commit offences as a way of preventing them from going to the police and asking for help.

## 2. MARKET STRUCTURE AND SOCIAL ORGANISATION OF TRAFFICKING NETWORKS

Reliable information on the *structures* and *operations* of trafficking networks in the UK has been less readily available as it typically depends on specific case studies (see, for example, Spencer, 2014), as well as on offender profiles drawn from prosecution and conviction data. Complaints about the quality and depth of information are common, and, while this situation is typically attributed to the clandestine nature of the activity (see Surtees, 2008), the involvement of a multiplicity of actors holding diverse positions towards the issue means that the process of generating relevant knowledge is not immune from important conceptual and thus, inevitably, factual biases (see Weitzer, 2015; Antonopoulos and Papanicolaou, 2018). Generally, the human trafficking business in the UK is fragmented and decentralised. Different actors may play a significant role in different stages of the trafficking process. These actors may:

- operate as “lone wolves” engaging/grooming vulnerable women and girls and then forcing them into prostitution. The presence of the lone trafficker is in stark contrast to the Home Office assertion that the proportion of human trafficking that is “organised” is 100% (see Mills et al., 2013);
- belong to more robust organisational forms featuring hierarchical structures. These robust organisational forms, which are rather uncommon, can be mostly found among ethnic groups with a strong familial basis such as the Albanians and typically reflect the family hierarchy;
- operate within stronger or looser networks whether as individuals, as couples or as part of smaller groups carrying out different functional activities in one or in different phases of the process. Some of these structures may operate locally and on a very small level or operate in a much wider geographic area. For example, a Polish group dismantled by the authorities operated across the UK and in cities like Edinburgh, Belfast, Glasgow, Leeds, and Newcastle. The network employed a London-based receptionist, who was effectively the person picking up the phone when a punter called and she coordinated the girls in the aforementioned localities (UK-E16).

Many trafficking collectivities operate within discrete ethnic or immigrant communities. However, cross-ethnic arrangements do exist and casual employees and/or victims are sometimes recruited from outside the core ethnic group (Webb and Burrows, 2009). Chinese human traffickers, exactly because of the saturation of the Chinese restaurant/take away business in London due to the large number of Chinese, occasionally form alliances with traffickers of other nationalities in order to provide (exploitative) work for their (trafficked) compatriots. As mentioned before, and excluding the victims, there is a number of actors in human trafficking. These actors are:

- *The organiser.* The organiser is concerned with the planning of the operation, the establishment of contacts with individuals, with the recruitment of actors into a collectivity, etc. In small schemes, an organiser deals with all aspects of the schemes from recruitment and transportation to exploitation (see also Brå, 2008). Very often an organiser is identified with the owner of an establishment in which the exploitation takes place. This can be, for instance, the owner of a restaurant or a car wash.
- *The recruiters,* who are concerned with the recruitment of people for sex and labour exploitation. The recruiter is someone, who lives permanently in the country of origin of the exploited individuals, and has a very good knowledge of the language, the peculiarities of each country and/or specific locale, or even knows the victims personally (UK-V1). In some instances, and in the case of sexual exploitation, ex-sex workers are used to persuade women and girls to come and work to the UK. In the case of labour exploitation, groups of workers are recruited and managed by someone of the same ethnic background. This individual acts as an intermediary between the workers and the employer and is often himself a former employee of the same employer.

- *The transporters/escorts*, who are concerned with transporting or at least assisting women in coming into the UK. There may be more than one transporter/escort throughout the whole journey, although in many cases victims (particularly from eastern Europe) for both sexual and labour exploitation travel to the UK on their own.
- *The enforcers*. In a trafficking scheme, these are individuals with the duty of supervising victims in the venues of exploitation. Many times they have the duty of collecting debts.
- *The corrupt public officials*. The corrupt public officials are those who either provide assistance during the trafficking process (e.g. employees in embassies and consulates and/or employees in local authorities) or other, who are being bribed to turn a blind eye to the exploitation (e.g. corrupt police officers).
- *The legal business owners*. These are individuals, who own the places in which the exploitation phase of the trafficking process takes place.
- *Enablers*: These can be lawyers assisting in stages of the trafficking process as well as advising and defending traffickers in a regular or *ad hoc* basis or professionals who are integral in the financial management of the business such as accountants (see UK-E16),
- *Freelancers*. These are facilitators that are peripherally linked to a trafficking scheme and in fact may be unaware of the scheme or the level of exploitation. These freelancers may vary from a legal business receptionist, to teenagers delivering cards for escort services to venue such as pubs, to taxi drivers and general “helpers.”

The presentation of these actors within the trafficking business does not necessarily mean that these exist in every collectivity and/or scheme. It would be extremely difficult to provide an accurate profile of the trafficking group member as there seems to be a diversity of profiles rather than a profile. The individuals who participate in this business are not necessarily experienced criminals. Some have the relevant infrastructure to get involved (e.g. a legal company, a farm, a bar, a massage parlour, an apartment in which the exploitation phase takes place); some enter the business with absolutely no resources. The vast majority are men however, in some schemes the participation of women is functional (e.g. in the recruitment phase). As mentioned earlier, traffickers are not always unknown to the victims. Many times the trafficker is a friend, a neighbour, or even a member of her (nuclear or extended) family (e.g. UK-V1). The age of onset of offending is usually later than conventional criminals (late twenties/early thirties) (see also Broad, 2013).

Although the belief among most of the interviewees in this study was that traffickers enter the business because it is a lucrative business (“...it’s entirely motivated by significant amounts of money...”, UK-E5), the reality is that there are a range of rationales for entering the market; a range of rationales that, as we will see in the next section, has financial implications:

- *Making money*: Here, there is a wide range of traffickers. Some (mostly migrant traffickers) exploit others for “survival” (see also Broad, 2013), some exploit an opportunity to make money and often within the



context of a legal business. In a very small number of cases minority ethnic traffickers (of British nationality) initiated small and ephemeral prostitution schemes involving underage girls in order to amass capital to start their own legitimate business (UK-E2);

- *Making money and becoming “brokers of sexual pleasure” to friends*: this is exclusively in the case of sex trafficking – “...to look like ‘the man’ to their friends” (UK-E2);
- *Avoiding expenses, remaining competitive, and saving their business*: this is especially the case with labour exploitation. According to the GLAA, this type of exploiters is defined as “chancer”: “an individual who... knowingly or unknowingly fails to pay workers properly or give them their basic employment rights. They may start out with good intentions. They may come under pressure to reduce their margins or lose a vital contract. The chancer protects the margin of their own business by passing on an unfair share of the commercial pressure to their workers. The chancer also needs to believe that by doing the right thing by his or her employees the business is not going to be at a competitive disadvantage” (Beels, 2017: 4).

Similarly to other illicit trades and activities, individuals may become involved in human trafficking via trust, familial and kinship, and neighbourhood contacts. In the case of Chinese human traffickers operating in London, associations of people with same birthplace (*tongxianghui*) are important. Finally, an environment of great importance for the formation and consolidation of relationships for human trafficking is legal businesses. Legal businesses also operate as the context in which relationships (employer-employee and between/among partners) are forged and transformed into criminal business relationships, and dependability of individuals is manifested (see also Antonopoulos and Hall, 2016 for a similar trend in the illegal tobacco trade; CSD, 2015).

There is discussion as to whether human traffickers are involved in other illicit trades and criminal activities. Generally, this appears to be dictated by the scale of the trafficking scheme. Small schemes tend to be specialised in sex or labour exploitation specifically, whereas large schemes or schemes associated with robust organisational forms often featuring hierarchical structures are more diversified (see NCA, 2017c). These organisational forms are found to be involved in other criminal activities often violent ones (e.g. extortion and debt collection) as well as drug trafficking and counterfeiting. Intelligence reports suggest that Chinese organised crime groups operating in Strathclyde (Scotland) with links in London and Northern Ireland are involved in human trafficking for both sexual and labour exploitation as well as money lending and extortion.



### 3. FINANCING AND FINANCIAL MANAGEMENT

#### 3.1. Source of capital for initiating/sustaining criminal operations

Although, as mentioned earlier, some have the relevant infractusture to get involved in the exploitation phase of human trafficking, generally, there are either no or very low market entry costs to the trafficking business (UK-E14; UK-E16). In the case of internal trafficking, underage victims are relatively easily recruited among groups of vulnerable people with absolutely no financial requirement being in place. In some other instances, underage vulnerable victims may be lured into sexual exploitation by small gestures like being offered a jewel, a meal, a used mobile phone, or simply being given attention and an initial nice treatment, which are unusual occurrences in their life. As one of the interviewees, who works in the field of residential child care – and among other – with vulnerable girls who have been victims of internal trafficking, mentioned:

“You don’t need any money to persuade these vulnerable girls to have sex and do anything with anyone, really. Usually, we are talking about those girls who have been severely abused even by family members at a very young age, may have learning difficulties, who see the world through their ‘pink glasses’ and, if asked at a bus stop, a take-away, at a park, they will say ‘yes, why not?’. Or girls who have been through such hardship in their life that, if you show them even the slightest interest, they are yours. Money is not essential...” (UK-E13).

In the case of cross-border mobility, frequently, the “victims” have savings to migrate abroad, or have been given money by their families for trips. Naturally, in this case, no amount of money is required from traffickers. In other cases, perpetrators fund the travel of victims abroad and arrange all transportation logistics, and then use this as a form of debt-bondage when the victim has arrived to the UK. In cases in which there is a convergence between human smuggling and human trafficking, it is irregular migrants that provide the start-up capital for the business. For instance, Chinese “snakeheads” charge up to US\$30,000 per head for long overland journey from east China to the UK via Russia, and eastern European countries (UK-E1; UK-E2; UK-E3; etc). Once in the UK, many who have not paid the smuggling fees or their families are not in the position to cover the trip expenses are found work with gangmasters in order to pay for the outstanding fee. The victims themselves are sometimes manipulated into providing the capital that is needed for a trafficking scheme. One of the interviewees mentioned an interesting case in which Chinese migrants, who were to be exploited in various labour sectors in the UK, were following English language classes for which they paid their traffickers (UK-E2). Within the enlarged European Union after 2004, people come into the UK from all over eastern Europe and in the process some may be forced to labour or sex, others may be coerced, and others are willingly “exploited” because this is the best option they have (see also Leman and Janssens, 2008). Other cases

involve the traffickers confiscating the identity documents from their (Eastern European) victims upon their arrival in the country, and opening bank accounts to have access to credit via overdrafts, bank loans, and credit and debit cards (see FATF/OECD, 2011).

In those cases in which there is an actual investment of money in the trafficking business, the start-up capital derives from *funds from legal businesses*, and smaller or bigger savings. These legal businesses are often functional to the exploitation of trafficking victims (e.g. massage parlours, clubs, etc.) or irrelevant to the exploitation phase but useful for the trafficking process as a whole. For instance, we have come across a case in which a Lithuanian labour trafficker owned a minibus company in Lithuania. He used vehicles for the trip to the UK for £150 per person. The passengers were then introduced in labour exploitation schemes that the Lithuanian minibus company owner was a “stakeholder” (see GLA, 2016b).

Sometimes money invested into human trafficking derives from *funds from other criminal activities* especially by those traffickers, who have a diversified criminal portfolio. In a rather unusual case that was described by an investigative officer working for the HMRC (Her Majesty’s Revenue and Customs), the money from counterfeiting activities committed in the UK was invested in the construction of a hotel in Pakistan. The hotel was essentially an investment from proceeds of counterfeiting and facilitated a human trafficking scheme, which provided cheap labour to various businesses in the UK:

“We had information about a British Pakistani couple in Bradford. They were owners of a relatively big clothes company in Bradford and our intelligence suggested they were involved in counterfeiting. Clothes, bags, belts, you name it. We raided the premises in this area full of warehouses, and we started searching for money, products, documents. People were also working illegally in the business. One of my colleagues noticed a poster of a big building on the wall. Looked like a big house abroad but the thing is that this house was in bigger and smaller frames in their house too... In the living room, in the office, in the kitchen. Our investigation revealed that this building was in fact a hotel that was built with money from the counterfeiting business, and it was used as a recruiting and harbouring venue for trafficked persons from Asia, mostly Pakistan. After they came to the UK, they would work in the clothes company, in restaurants...” (UK-E12).

### **Access at critical moments**

There are a number of critical moments in the human trafficking business. These critical moments are, firstly, *business-related*. Many times, especially in relatively small localities and venues, and in relation to small schemes in the sex industry, there is a saturation point manifested in a reduced number of encounters with clients, after which the entrepreneurs must “renew” the sex workers under their control. This set of critical moments is dealt with by the creation of new cycles of sex workers in which women in a locality (or a venue) are renewed to attract clients. This

system is elsewhere (Monzini, 2005) referred to as a 'carousel system'. It is not unusual for women to be transported to other cities or even regions (e.g. from London to Belfast in Northern Ireland) or be exchanged (UK-E2; UK-E16; restricted intelligence reports). The system is based on pre-existing personal relationships between traffickers in the various locations and previous collaboration, not necessarily in human trafficking. Thus, the importance of social capital (i.e. connections and relationships) and symbolic capital (i.e. trust and reputation) are often more important than financial capital in sustaining a human trafficking scheme in the UK.

Secondly, critical moments in the human trafficking business are *law enforcement-related* such as, for instance, people being arrested by the authorities at UK ports and airports and/or deported or the traffickers being arrested by the authorities. These critical moments are financially covered by amounts of money that have been obtained from the business, or by the traffickers' legal business portfolios (UK-E1).

Finally, there are *miscellaneous* critical moments which may vary from the women and girls escaping, being rescued by family, friends and NGOs, being "stolen" and/or taken away by lovers; or the women/girls in the sex industry or men in labour sectors not being able to provide their sexual and/or employment "capital" (e.g. due to pregnancy, injuries, illnesses, operations, deaths). These cases, although they may cause an inconvenience, present no significant financial implication for the criminal entrepreneurs because, as mentioned earlier, there are no or very low market entry costs to the human trafficking business, and because of the large supply of (potential) victims (UK-E1; UK-E9).

### 3.2. Settlement of payments

Payments in cash are *almost* exclusively the case in the human trafficking business for both sexual and labour exploitation. As one of the experts interviewed emphatically noted, "*the trafficking business is a cash economy... cash is king*" (UK-E9). This is also exemplified by convicted traffickers' views on asset recovery in a Home Office study (Webb and Burrows, 2009). Although a number of these convicted traffickers had been aware that there might be an attempt to recover some of the money from their trafficking business, and a number of the respondents *were* (at the time of the research) subject to asset recovery processes, they did not perceive this as deterrent as most businesses were cash-based. We have not come across any cases in the UK in which credit was present in any level of the business for both sexual and labour exploitation.

Basically, there are six types of relationships between and among actors in the human trafficking business, which requires settlement of payments. These include:

1. *Trafficker to trafficker*. When there is an exchange between traffickers, e.g. selling or re-selling of women, the payment is mostly made in cash. In the case of the 'carousel system' mentioned earlier, there

is no payment as such but women who are perceived as having the same “sexual capital” (UK-E1) are simply exchanged between traffickers.

2. *Trafficker to employees* in a trafficking scheme. In these cases, payments are made almost exclusively in cash unless the business relationship takes place within the confines of a legal business or service. In the latter case, payments are also made electronically.
3. *Trafficker to corrupt officials*. Irrespective of the service offered to the trafficker or simply turning a blind eye to the trafficking-related activities cash is the type of payment although, occasionally, sex is provided as payment.
4. *Clients to sex workers/victims/traffickers*. In these cases, payments are made predominantly in cash. Occasionally, jewels, handbags, and clothes, are gifted along with the regular payment, and this is especially the case if there is more personal relationship between the victim and a (returning) client, and in those schemes that allow some professional freedom to the sex worker (UK-E4). In extremely rare cases, especially in labour exploitation schemes, some payments are made by card directly to the owners of the legal businesses in which exploitation takes place. These are covered behind payments to legal businesses for (actual or supposed) services provided. An example that was put forward in one of the interviews involves the card payment for a package of “deluxe” cleaning services for a transportation company fleet by a cash wash (UK-E2).
5. *Traffickers/exploiters to victims*. In cases of labour exploitation, the victim’s wages may be withheld entirely, thus ensuring money stays with their exploiters, or the victim receives a very meagre amount of earnings for their work. In cases of extreme exploitation (in the sex or labour markets), which constitute the ideal cases of “human trafficking,” payments are made in the form of accommodation, basic amenities, clothes, and/or food (see GLA, 2016b).
6. *Victims to traffickers/exploiters*.

The traffickers employ various methods of ensuring payment from victims; methods which can be defined as negative, positive and administrative. The *negative* approaches, which are mostly adopted with victims who come from contexts outside the EU, include:

- *Blackmail, violence and threat of violence* directed not only at the victim but also at family members who may be outside the UK;
- *Juju*. This is a form of witchcraft that exists alongside Christian and Islamic beliefs predominantly in Nigeria and applies to Nigerian victims of trafficking. Within the context of juju, rituals include the taking of blood, pubic hair, etc., and swearing oaths to gods, who supposedly have power over the victims’ life and death. The victims also sign contracts, which are “blessed” by juju “priests” in Nigeria, and once at the country of destination they are under control from a distance with victims being threatened with infertility or death if clauses of the contract – including the ones relating to payments/paying back debt – are broken;
- *Economic dependency and debt bondage*. As found in other pieces of research too (e.g. Korsell et al., 2011), sex workers are expected

to repay the costs for their recruitment and transportations to the destination country often at a highly inflated interest rate. Sometimes the debt bondage spills over to the victim's children:

"I was sentenced for falsifying documents, for smuggling people and for human trafficking. I have spent almost six years in prison. I smuggled about 1,000 people... Sometimes they didn't have the money to pay you, so they'd offer you two or three children to work for you to pay their debt. They are put to work in all kinds of jobs – prostitution, stealing and construction sites. If they don't want to work, they are forced to work" (ex-trafficker quoted in HSBC, 2017).

Moreover, the wages of trafficking victims, alongside any state benefits that have been fraudulently claimed in their names, are frequently paid into bank accounts that are controlled and managed by traffickers (see NCA, 2016, see also following section):

"There were a few of us there and the trafficker who interpreted for us, but he was really there to control what we did... I never had access to my bank account... Personally, I didn't see my own bank card. Once, I stood a few metres away from a trafficker who was shuffling bank cards as if they were playing cards. There were so many of them he could barely hold them..." (labour trafficking victim quoted in HSBC, 2017).

- *Emotional/psychological manipulation often linked to illegal immigrant status* (e.g. UK-E11).

The *positive* approaches, which are primarily present in the sex industry, include forging business relationships based on trust. Traffickers and sex workers are seen as "partners" despite the power imbalance that exist between the two parties. Although legally this is a rather weak way of enforcing a contract in an illegal market, an agreement or a contract is signed with responsibilities for both sides, e.g. for traffickers to receive a percentage of payments earned from their victims in exchange for protection. Within this context, traffickers – as a gesture of good will, which is functional in the exploitative relationship being seen as a "partnership" – often allow sex workers to keep tips (provided by clients in addition to the normal payment for sexual services) for themselves (UK-E1; UK-E2).

Finally, the *administrative* approaches include:

- *Fines*. The fines vary significantly – they can be as little as the daily payment or as high as £2,000. The latter are never paid but this process strengthens the debt bondage between a victim and the exploiter.
- *Daily quotas*. The introduction of daily quotas relieves the traffickers from the burden of having to identify ways of checking whether a sex worker, who works outdoors, steals money or does not reveal an accurate number of clients, sexual services provided and amounts of money obtained (see also Petrunov, 2011).



- *“Tie-ins.”* Some employers (especially in rural areas and mostly in agriculture) keep workers’ payments for ‘safekeeping’ supposedly in bank accounts, and deny access to these accounts (see also Skrivankova, 2014). Essentially, the more an exploited individual works for such an employer, the higher the level of dependency.
- *Micro-accounting.* In many cases, especially in those in which the sex workers have some freedom (i.e. working outdoors), they are asked to report to the trafficker the number of clients they had and the amounts of money they made on a daily basis. The information in this micro-accounting process is kept in small pieces of paper. In a large sex trafficking case dealt with by the police, which involved sexual services being hidden behind (legal) massage services, transactions were recorded by the girls in diaries as “Swedish massage” (normal massage) or as “tantric massage,” which referred to sexual services offered. These diaries were used by the authorities as evidence (UK-E16).

### 3.3. Costs of doing business

The costs of doing business depend on a variety of factors. The scale of the trafficking scheme and its logistical complexities, the distance of the country of supply of victims, the degree of legality of the scheme, the number and types of actors involved in the business, and a number of unforeseen expenses all contribute to the costs.

*Recruitment.* The Internet enables traffickers to place several adverts on several sites simultaneously for free or little charge. These adverts can be posted daily and reach a very wide range of potential victims. There have been, however, cases in which victims have been bought by traffickers. Accounts that have been publicised suggest that individuals, mostly women, have been bought by traffickers for extremely small amounts of money. In a rather atypical case a vulnerable woman from a central European country was sold by her parents for £8 (UKHTC/SOCA, 2013). Other amounts we came across during the research varied from £300 in some poor counties of Africa to £4,000 for some women from eastern Europe. Home Office accounts also suggest that women could be purchased at UK entry points for £3,000-£4,000 per person, although the most quoted figure is around £700 (Webb and Burrows, 2009).

*Documentation expenses.* Documentation is an important part of the human trafficking process especially when the victims are from non-EU member states (see Wheaton et al., 2010). According to Home Office research, passports from a variety of European countries such as the Netherlands, Norway, and Spain were bought by human traffickers for non-EU trafficked nationals for prices that ranged from £40 to £200; there was also reference to Australian passports and visas provided for £2,000 (see Webb and Burrows, 2009). Forged documentation costs a minimum of £850 per item in the UK. The expansion of the EU after 2004<sup>11</sup> cut the overheads in this type of expenses as entry could now

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<sup>11</sup> 2007 for Romania and Bulgaria.



be made on passports from the new accession states that are generally easier to forge or acquire than those in the UK and some other popular west European destinations.<sup>12</sup>

*Transportation/transit expenses.* Expenses for travel vary on the basis of the distance involved. For those cases involving human trafficking from another geographic context into the UK, and excluding cases of legal transportation into the country, it would be plausible to argue that transportation expenses are roughly similar to the (assumed) average fee for irregular migration facilitation: from Africa – £2,200; from Asia – £23,800; from the Middle East – £8,800; from “Other” geographic contexts – £8,400 (UK Border Agency management information cited in Mills et al., 2013: 89).

*Functional, exploitation-related expenses.* These include expenses that are essential for the exploitation phase. When victims are based and work in one of the larger cities of the UK, such as London and Manchester, renting accommodation, such as private houses and flats can reach approximately £800-2,000 per month depending on the quality and size of accommodation and area (UK-E3; UK-E4). In cases of labour exploitation, we came across cases in which small rural buildings in which as many as 10 victims were housed were rented for £300-500 per month. To these expenses victim subsistence expenses should be added. Additionally, mobile phones are often purchased as means to keep in constant contact with the victims. Pay-as-you-go sim cards, although cheap and offering a way to avoid detection, can be costly when purchased in bulk for many victims (UK-E3). Finally, in a scheme that was identified by the authorities in Scotland (the so called ‘Brazilian network’), the traffickers had an appointment booking facility outsourced in London. This was basically a system which constituted a customer channel based on an online platform for which a fee was paid. The forensic accountants’ investigation showed that this fee was in fact the biggest cost of the scheme (see UK-E16).

*Corruption costs.* It should be mentioned that corruption costs are not an integral and standard set of costs for all trafficking schemes for both sexual and labour exploitation. Traffickers/exploiters do not actively seek officials to bribe if the officials’ portfolio is not essential for the scheme (e.g. travel documents) or if/when there is no knowledge of a trafficking scheme on the part of the officials. Corruption costs in human trafficking become unavoidable when officials become aware of a trafficking scheme, and in this case corruption costs are used as a type of “business insurance” by traffickers (Kugler et al., 2005). Corruption costs are reduced when payments are made in the form of sexual services rather than money (UK-E3).

*Investment in the human trafficking business.* One such way to invest in the business is to hire professional photographers or photography equipment

<sup>12</sup> The visa waiver for the new accession states practically reduced all costs related to documents for travel to zero. These costs, however, remain relevant for traffickers from other source regions – former Soviet countries, Western Balkans, Africa, Asia, etc. According to the European Border and Coast Guard Agency (FRONTEX), in 2016 the most frequently identified forged travel documents at external borders are those of Poland, Italy, Spain, and France (FRONTEX, 2017).

to take high-quality shots of the victims that will be placed on various sex sites, as a way of maintaining a “professional” aesthetic (UK-E3; UK-E4). Similarly, some entrepreneurs invest in high quality escort services luxury business cards to display a sense of quality of services provided and professionalism. In a rather atypical case we came across, a Romanian trafficker invested in the physical improvement of one of his female former classmates he exploited by providing the necessary funds towards the woman having a rhinoplasty (nose plastic surgery) and a breast surgery as a way of enhancing her “marketability” (UK-E11).<sup>13</sup>

*Payments to the victims.* There is a wide range of payments on the basis of how clandestine the market is, the relationship between the trafficker and the sex worker/labourer, as well as the assumed worthiness or unworthiness of the sex worker/labourer. In those cases in which “victims” are voluntarily and knowingly recruited in a sex scheme, the sex workers receive or (to be more precise) keep 50% of their earnings. In cases in which there are significant exploitative conditions, and excluding those cases in which victims receive no payment at all, trafficking victims receive around 20% of the total turnover and sometimes as little as 2% of the revenues. For instance, some southeast European sex workers were made to earn £1,000 (daily quota) but were given only £20 (UKHTC/SOCA, 2013). In a case of labour exploitation in the tarmacking and block paving industry that was identified by the then Serious and Organised Crime Agency (SOCA, currently NCA), those who were considered skilled workers were paid £60-80 per day, and others who were considered workers of lower status were paid £20-30 per day (UKHTC/SOCA, 2013). In cases of exploitation of vulnerable individuals, these individuals most often receive no payment at all.

*Payments to other actors.* As mentioned earlier, these actors are “freelancers,” who are peripherally linked to a trafficking scheme and, in fact, may even be unaware of the scheme or the level of exploitation:

- managers of brothels and other (legal) venues of exploitation are paid £50-100 per shift;
- receptionists are paid £50 per shift;
- security guards working at legal businesses in which exploitation of victims takes place are paid £50 per shift;
- card boys, who deliver sex workers/escort business cards, are paid £10-20 per round;
- general helpers collecting girls and transferring them are paid £200 for each job (Webb and Burrows, 2009).

*Legal expenses.* In the course of our research we did not come across continuous legal consultancies to human traffickers. However, when legal assistance was required, lawyers were available and their fee varied considerably depending on: the location (with London law firms charging at least three times the hourly fee as a law firm in the north of the country); how successful and able a lawyer/law firm working in criminal

<sup>13</sup> The interviewee did not provide amounts that had been invested in the surgeries. However, a rudimentary examination of prices in UK private surgeries price lists revealed that the average rhinoplasty costs approximately £3,000 and a breast surgery approximately £2,500.

cases was considered; whether the services required were for contentious or non-contentious work; and whether the relationship between the lawyer and the client was a long one and based on legal advice in the context of the legal business owned by the trafficker (UK-E1; UK-16).

### 3.4. Profits and profit sharing

It is often argued that the financial scale of trafficking in human beings for sexual and labour exploitation is significant with big profits for those involved (see, for example, Belser, 2005). A Home Office study from the early 2000s estimated sexual exploitation at approximately £275 million in 2003 (Dubourg & Prichard, 2008). Similarly, a relatively more recent study (also by the Home Office) estimated sexual exploitation of adult foreign women in the UK at around £130 million (Mills et al., 2013) on the basis of an estimated annual revenue of £48,000 per *foreign* sex worker, as put forward by Scottish Crime and Drug Enforcement Agency (SCDEA, 2011) (Table 3).

**TABLE 3. SCALE OF HUMAN TRAFFICKING OF FOREIGN WOMEN FOR THE PURPOSE OF SEXUAL EXPLOITATION, UK BY COUNTRY<sup>14</sup>**

	Number of victims	Unit Cost £	Total (£ million)
England & Wales	2,600	48,000	£120,000,000
Scotland	73	48,000	£4,000,000
Northern Ireland	23	48,000	£1,000,000
<b>Total</b>	<b>2,696</b>		<b>Approx. £130,000,000*</b>

\* Figures may not sum due to independent rounding.

Sources: Project Acumen and Northern Ireland Organised Crime taskforce cited in Mills et al. (2013: 86); SCDEA (2011).

Some indications about the financial scale of *labour* trafficking in the UK can be found in GLAA annual reports of 2013/2014, 2014/2015 and 2015/2016. From 2013 to 2016, 78 OCGs were identified or disrupted by the GLAA (and partner agencies), the worth of criminal assets identified was £18,400,000, and the amounts identified as unpaid wages, holiday pay or excessive transport charges reached £6,600,000 (Table 4). Obviously, these figures refer to the cases known to the GLAA.

The profit margin from the human trafficking business in the UK depends on a number of variables:

- The *rationale of the entrepreneur for entering the business*. In the case of sexual exploitation, those who enter the trafficking business to make “a bit of money” and become “brokers of sex” to friends and others

<sup>14</sup> There is no estimate for child sexual exploitation or other forms of human trafficking in the particular report.

**TABLE 4. OCGs IDENTIFIED/DISRUPTED, WORTH OF CRIMINAL ASSETS IDENTIFIED AND AMOUNT IDENTIFIED AS UNPAID WAGES HOLIDAY PAY OR EXCESSIVE TRANSPORT CHARGES, GLAA INVESTIGATIONS (2013 – 2016)**

	OCGs identified/disrupted	Worth of criminal assets identified (£)	Amounts identified as unpaid wages, holiday pay or excessive transport charges
2013 – 2014	10	900,000	1,700,000
2014 – 2015	32	5,100,000	3,500,000
2015 – 2016	36	12,400,000*	1,400,000
<b>Summary 2013 – 2016</b>	<b>78</b>	<b>18,400,000</b>	<b>6,600,000</b>

\* Affected by one substantial case.

Sources: Compiled from GLA (2014; 2015; 2016a).

in their social circle tend to have the smallest profits. This is not only because these are usually people who tend to exploit a very small number of victims, generally one or two, but also because very often they do not accept money for the sexual services which their victims provide; the position they have in their social circle as sex brokers is more important. In the case of trafficking for labour exploitation, those who enter the business in order to save expenses from the working of their legal business with the goal to save their business have no significant profits. Generally, the biggest profits come to those who are geared towards making significant profits, are diversified in their predatory activities, and are willing to exploit their victims in more than one ways. In some cases the latter type of traffickers' profits made from the sexual and/or labour exploitation of the victims are supplemented by profits from additional activities for which the victims' identities and family circumstances are essential. Firstly, these traffickers run into debt the victims' bank accounts. After their arrival in the UK, the victims are not given the promised job for weeks or even months. This makes them completely dependent on their traffickers for their living expenses, and in this way debt is built up since traffickers pay for/or provide accommodation and food. This debt is often used as leverage on victims to open bank accounts so that they can apply for jobs and once the bank debit card is sent, it is kept by the traffickers and used to withdraw relatively small amounts of cash from ATMs. Secondly, traffickers obtain loans in the victims' names. This is especially the case in labour exploitation cases. This also creates a situation in which the victims think twice about leaving the trafficker/gangmaster and starting a new life with heavy debts. Thirdly, traffickers (especially east Europeans) get child benefits for the victims' children, who live in their country of origin, as well as working tax credit for each (exploited) worker, which is approximately £2,000 per worker per year (see GLA, 2016b).

- The *number of victims exploited by a trafficking scheme*. According to Belser (2005), the accurate estimation of the profits from trafficking ( $\pi$ ) results from multiplying the total number of the trafficking victims

by the average turnover from each victim (the value-added, VA) minus total wage payments or other expenses (W):  $\pi = VA - W$ . Naturally, the bigger the number of the victims exploited by a trafficking scheme, the higher the profits (UK-E16).

- *Vulnerability and “quality” of the victims.* Vulnerability of trafficking victims generally means that payments to these victims are either low or non-existent resulting in a bigger profit margin for the trafficker. In fact, many of the victims are not even aware of financial transactions taking place between someone, who has sex with her and a trafficker/exploiter (UK-V1). The same applies to labour exploitation. Victims of labour exploitation with mental health problems, for instance, are either not paid at all or paid insignificant amounts of money.
- *The embeddedness of the exploitation phase of trafficking in a legal business.* Trafficking profits are related to the *modus operandi* of the traffickers, and the interaction of the victims, actors in the trafficking collectivities and, of course, the client, during the exploitation phase. Sexual intercourse with a trafficked woman many times, especially when it is embedded in a legal business (e.g. massage parlour, spa, club), is not only the result of a procedure in which the prospective client approaches the trafficker and/or the woman (or vice versa). It involves a number of steps of financial significance. It was noted earlier that trafficked women are introduced to street and brothel prostitution or prostitution that is covered behind the provision of other services in bars, clubs and massage parlors. Some of the money that traffickers get in the non-street and non-brothel prostitution is a product of the labour of women and not of the exploitation of the women’s sexuality *per se*. For instance, many times a *massage* (the legal service in a massage parlor relating to labour) may lead to *sexual intercourse* (the illegal service relating to the exploitation of sexuality of women). In this case, sexual services are the reason why people received non-sexual services too. In many cases, clients are obliged to consume a certain amount of drinks or certain types of drinks (e.g. champagne) before the provision of the sexual services. Profits from trafficking of women for commercial sex that take place in legal business settings include profits from the *labour* exploitation of the women too ( $\ell$ ): to slightly enhance Belser’s (2005) formula,  $\pi = (VA - W) + \ell$ . Importantly, the embeddedness of a human trafficking scheme in a legal business allows for the reduction of costs for the trafficking scheme.
- Whether *loans* are lent with sometimes logical, sometimes irrational interest rates in the process of migrating in the UK. According to some traffickers, in many cases in which women knew which labour sector they were going to be involved and, in fact, actively sought entry to the UK sex market, the women had accepted the facilitation fee as their own debt. Traffickers would lend £1,000 to the women to travel to the UK and the women would then be expected to pay £1,500 from their work in the sex industry (Webb and Burrows, 2009).

*Spending and investing human trafficking profits.* In most cases of trafficking in the UK, profits are simply spent on lifestyle expenses, jewels, holidays, gifts for girlfriends, and cars. According to GLA (2016b), traffickers may use the victims’ names for car tax and insurance so that the cars are not tracked to the traffickers. Significant parts of the profits are used to



paying off debts incurred by the traffickers and their families and friends. Profits are also invested in the legal economy and specifically in cash intensive businesses (that are often identified as venues of exploitation) such as fast food restaurants, car washes, nail bars, and beauty salons. Sums of money are used for property purchases in the UK and in the country of origin of non-British traffickers (UK-E9; UK-E14; UK-E16; UK-E20; Box 1). Rarely, trafficking profits are used towards the expansion of the business. The more clandestine the scheme, the more difficult it is for this scheme to be expanded; schemes that are embedded in legal business are more likely to be invested upon.

### **Box 1. Proceeds of labour trafficking: The case of Stasys Skarbalius and Virginija Skarbaliene**

Stasys Skarbalius and Virginija Skarbaliene operated as gangmasters illegally between 2006 and 2010 after fraudulently setting up Scunthorpe-based business CV Staff Services. They did it under a fake identity and in turn applied for licences from the Gangmasters Licensing Authority (GLA) and mortgages to build a property portfolio. During this time, they facilitated hundreds of people into work in the agricultural and horticultural industries in Lincolnshire and Humberside, across Yorkshire, Suffolk, Norfolk and Cambridge. Off the profits of the business, which had an estimated turnover of £12 million, they lived lavish lifestyles. The sham was exposed in 2011 when Skarbalius' bogus Dutch passport, which he held under the name of Charles Rene Luske, expired and he was unable to renew it for the purposes of the annual licence.

Both of no fixed address, Skarbalius, aged 62, was jailed for two-and-a-half years and Skarbaliene, aged 58, received three years. They were also disqualified as company directors for seven years. Sheffield Crown Court heard how they had each received total benefits of £1 million from their criminal exploits. They were served with Confiscation Orders under the Proceeds of Crime Act on their available assets – £187,219.85 for Skarbalius and £231,687.68 for Skarbaliene. Included in their assets are substantial bank account balances, recovered cash, a Mercedes Sprinter van, a Lexus Sport, a Volkswagen Transporter van, their four-bedroom detached home in Scotter, Lincolnshire, two three-bedroom houses occupied by tenants in Scunthorpe, and their Scunthorpe business premises.

*Source:* GLAA website.

*Money laundering and movement of trafficking proceeds.* Money laundering on a sophisticated, complex and systematic scale was not a common practice identified in our research. Illicit profits were used to establish licit business interests insofar as this may be regarded as money laundering. However, illicit proceeds were not subsequently laundered through these legal businesses once they had been established. There have been, however, cases reported in which traffickers involved in small trafficking schemes laundered their money via simple fraudulent child welfare benefits schemes (see also section 4 in this chapter). In a rather exceptional case, MX, a Chinese “madam” who ran a series of brothels across north London, purportedly had had strong links to the Triads, and was involved in sex trafficking and drug trafficking, was convicted for money laundering (intelligence case provided in Hutton, 2017).

With regard to the movement of trafficking money out of the UK, the general perception during the course of the research was that because of the fragmentation of the business, there is not much need



to move money internationally. When there is movement of trafficking money, legal financial institutions are used. In cases of east European traffickers, there has been some repatriation of funds through bank transfer of small amounts that do not alert the authorities and which have "...nothing extravagantly sophisticated about it" (UK-E16). One of the interviewees referred to a ROCU (Regional Organised Crime Unit) investigation into a Chinese criminal organisation which transferred millions of pounds by a number of banks in the UK to Hong Kong. The bank accounts, which were in different locations in the country, were linked to brothels. It was estimated that between £5-15 million were transferred to Hong Kong (UK-E14). However, usually instant money transfer services such as MoneyGram or Western Union, in which small deposits are made at a time, are used by traffickers. In this case, money from the trafficking business is transferred to the country of origin of the traffickers and sent to extended family members and friends (large number of recipients) (see also Broad, 2013). The Brazilian network mentioned earlier, used the Telecom 2 Surf and Pay facility, a secure web-based credit card payment gateway solution, to process their online spending; a significant portion of the expenditure was in Brazil. They also used the NatWest (National Westminster Bank) remittance service to repatriate cash sums back to Brazil (UK-E16). Finally, in those cases in which women are collected at UK entry points and purchased on the spot, transporters/escorts are paid in cash, and money is immediately *physically* transported back into the originating country (see Webb and Burrows, 2009).

### **3.5. The role and impact of the internet on human trafficking activities and finances**

The internet (and ICT in general) has affected the business models of traffickers in all phases of the trafficking process as well as the financial aspects of their activities. With regard to *recruitment*, a plethora of websites, including social networking and microblogging services such as Facebook and Twitter, as well as online classifieds, dating and international marriage agency sites, have been documented as recruiting people into trafficking, for the purposes of sexual or labour exploitation, along with offline forms of recruitment, such as word-of-mouth, or through friends and relatives. To lure and recruit victims online, traffickers frequently place spurious, promising advertisements on employment, dating and marriage websites for jobs including administration, cleaning, home help, child and older people care, waitressing, hostessing, pole dancing, the collection and delivery of charity bags, agricultural farming and construction roles, educational courses or work in the tourism sector (UK-E1; UK-E2; UK-E3; UK-E4; UK-E5; UK-E18, etc. see also Europol, 2014). Direct contact is also initiated with victims in chat rooms or via social networking sites, where traffickers pose as friends or lovers to recruit victims, often exchanging e-mails, messages, photographs and videos with their victims to build a relationship and gain their trust and confidence (see also Diba et al., 2017).

Another interesting point raised in the interviews concerns the usage of social media applications by sex traffickers to determine the proximity

of a potential victim to them, in terms of a nearby town or city, or even within the same locality, thus enabling them to easily track, meet and build up a relationship to gain the targeted victim's trust. Many electronic devices such as mobile phones and tablets have, within their settings, built-in location services functions that enable any third-party applications and websites to use information based on the user's current location, and to provide numerous location-based services, such as finding nearby amenities that include parks and restaurants. On this point, if a user has enabled location services, knowingly or unknowingly, on their device, then such action would allow social media applications, such as Facebook and/or Twitter to gain access to and publicly display the user's location to their "friends," through the user's status updates, uploading of photographs and messages sent via Facebook's Messenger feature or, depending on the user's privacy settings, whoever is able to view their profile. Consequently, the visibility of one's location to others can have negative implications for the user, and possess much benefit for a trafficker searching for women to recruit. NGO representatives interviewed by Diba et al. (2017) mentioned that many of the victims they had worked with were not shrewd in their use of the internet and were neglectful in checking their location services settings on their mobile phones. Finally, with regard to the recruitment phase, the Internet has allowed not only the easier identification of potential victims but also additional opportunities for profits at this phase. In one case of labour exploitation, for instance, potential victims from Lithuania were recruited via a Lithuanian website and paid £350 each to the trafficker, who managed the particular website to secure a job in the UK (UKHTC/SOCA, 2013).

The internet has also facilitated *the transportation* of trafficking victims. Social media sites have been used to aid the transportation process by, among other, facilitating the booking of tickets and obtaining travel documentation in several types of transportation. Tickets are purchased online by traffickers often by using compromised credit card data, in order to conceal their identities and, thereby, add another layer of anonymity and distance to their criminal proceedings. Furthermore, the use of stolen credit card information beneficially ensures that neither the tickets nor the victims are able to be easily linked back to the traffickers (Diba et al., 2017). Digital technologies enable counterfeiting as better fake documents essential for the trip are developed at reduced prices (UK-E3).

With regard to *exploitation*, the ICTs has also augmented the nature of sex work from a predominantly physical environment to an increasingly virtual landscape to such an extent that most prostitution is currently advertised and solicited online, in what has been referred to in the literature as "virtual red light districts" (Cauduro et al., 2009: 59). Correspondingly, there has been a significant shift in human trafficking activity for the purposes of sexual exploitation to the virtual sphere, with both the supply and demand side having benefitted from the use of the Internet and digital technologies, with trafficked victims often being advertised online (see Diba et al., 2017). Naturally, ICTs have elevated risks of detection of trafficking schemes. Adverts can be captured via

screenshots, with “digital traces” being left such as remnants of old/expired adverts. As a means to counteract residual criminal activity, one very common pattern adopted by traffickers is the repeated posting of adverts, often several times a day for a week, then all of the adverts being closed. After a few weeks, again, several adverts are then placed and repeatedly advertised with the listed women being featured under new aliases and often, different locations, which would signify repeated movement across cities in the UK (UK-E2; UK-E3; UK-E16).

The financial implication of the use of the internet and ICTs for human trafficking is that, firstly, the costs for recruitment are minimised. The research found that spurious job advertisements are placed on various employment, dating and marriage websites at the same time to lure and recruit potential victims for free. Websites are often created by traffickers in the countries of origin and in the languages of potential victims, with one site linking to another, building international recruitment networks. As such, the content on the first site can be used as a template, and the same layout can be used over and over again, and translated into the different languages of the sex markets where the traffickers desire to trade. ICTs have also reduced costs that are related to the control of victims in the exploitation phase:

“20 years ago a trafficker would require someone to look out for the girls. This is not necessary any more, at least not to that extent...” (UK-E3; UK-E1).

In addition, ICT have led to some changes in the facilitation of the business and on spending patterns by traffickers in some trafficking schemes. The ‘Brazilian network’ mentioned earlier, used a system based on an online platform to handle customers as well as a secure web-based credit card payment gateway to process their on online spending in Brazil (UK-E16). However, the general consensus among the participants in the current research was that when it comes to financial aspects linked to the exploitation phase “ICT... means leaving a trace, and this is against the logic of this illegal market” (UK-E8; also UK-E15; UK-16, etc.)

#### **4. FINANCIAL INVESTIGATIONS OF THB CRIMES: CHALLENGES AND GOOD PRACTICES**

In the UK financial investigations into ‘organised crime’ cases typically operate within the legal framework of the Proceeds of Crime Act 2002 (POCA), which is the primary legislation of financial investigation introducing a number of asset recovery powers.<sup>15</sup> Specifically, POCA contains four distinct means of confiscating the proceeds of crime:

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<sup>15</sup> This report was written before the *Criminal Finances Act 2017* came into force. The new Act constitutes an enhancement and a significant reinforcement of the provisions of POCA, introducing – among other – *unexplained wealth orders* (powers to seize suspected criminal property without bringing a prosecution). See <http://www.legislation.gov.uk/ukpga/2017/22/contents/enacted>.

- *Criminal confiscation*: powers to confiscate the proceeds of crime following a criminal conviction as part of the sentencing process;
- *Civil recovery*: confiscating the proceeds of crime *in the absence of a criminal conviction* through the civil courts;
- *Cash forfeiture*: powers to seize and forfeit cash through a civil process where there are *reasonable grounds to suspect* that it is the proceeds of crime;
- *Criminal taxation*: allowing the NCA to access revenue powers to tax income, which it has reasonable grounds to suspect are the proceeds of crime (Wood, 2016: 2; House of Commons – Home Affairs Committee, 2016b).

Apart from the use of officers from economic crime units that are embedded in police forces (UK-E15), law enforcement agencies employ specialised financial investigators that assist the main line of investigation of organised crime cases pre- and post-arrest. These investigators were initially trained, accredited and monitored by the National Policing Improvement Agency (NPIA), which was founded in 2007. The NPIA retained the statutory responsibility under the POCA 2002 to deliver the training, accreditation and monitoring of Financial Investigators through the Proceeds of Crime Centre (POCC); however, this function was transferred to the NCA upon the dissolution of the NPIA in 2013. In the first quarter of 2013, the total number of Financial Investigators was 673 (NPIA, 2013). POCC has also successfully upheld the Joint Asset Recovery Database (JARD), an information database implemented in 2003, maintained by the NCA, and used by approximately 4,500 users across the country (NPIA, 2013). In addition, POCC manages the Financial Investigation Support System (FISS), which provides resources and tools for financial investigators.

An important source of support for (local) law enforcement use of financial investigation and asset recovery is provided by Regional Asset Recovery Teams (RARTs), which were established in 2004, with the very purpose to increase the numbers of confiscations and the value of assets seized. RARTs are largely multi-agency teams that provide specialist support in several aspects of financial investigation of organised crime, and among other they have the objective of targeting professional facilitators, such as solicitors and accountants (Brown et al., 2012).<sup>16</sup> Although there is a rather robust framework with regard to financial investigation of organised crime in general, a framework that is naturally applicable to human trafficking activities in the country, there are significant challenges to the financial investigation of human trafficking. These include, firstly, occupational cultural law enforcement practices against human trafficking:

“There are 2 forensic accountants in Scotland... Portugal, which is only one-and-a-half times bigger than Scotland, has 30 forensic accountants. The issue is that we have to cover the set of skills that are required to deal with finances... It is ridiculous when the police officers say ‘I don’t feel comfortable working on finances’... And the criminal justice system

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<sup>16</sup> See <http://www.nersou.org.uk/>

as a whole needs to develop in this way. Getting prosecutors who feel confident... yes, 'confident' is the word... and competent in dealing with financial issues is difficult. The legislation is there! The tools are there!... There is an issue there... we need to make this cultural adjustment" (UK-E16).

Although human trafficking and modern slavery is very high on the political agenda<sup>17</sup> and the national law enforcement agenda in the UK (cf. ATMG, 2013), financial aspects of human trafficking are not the priority at the *local* level (UK-E8; UK-E18) (perhaps with the exception of specialised units). The major concern is disrupting trafficking activities and saving the victims:

"Human trafficking is a top political priority. There is a lot of pressure to deal with it internationally and nationally. But locally we get the 'good publicity' and the 'mileage' from stopping traffickers committing their crimes and saving the victims... not going after the traffickers' money" (UK-E15).

The major objective of the relevant local authorities has traditionally been to secure a trafficking conviction. As one of the experts interviewed emphatically noted, "when a trafficking conviction is secured, why bother with finances?" (UK-E8). Because of the decentralised nature of human trafficking, its relative simplicity, and the myriad of small schemes, there are most often no interesting financial aspects that may be necessary for a conviction to be secured.

Secondly, the reluctance on the part of (local) law enforcement to engage in financial investigation of human trafficking in cases in which there might be a significant financial element is also a product of numerous practicalities. The embeddedness of many schemes of sexual and labour exploitation in legal businesses and the legal economy, makes financial aspects more complicated, law enforcement officers (perhaps with the exception of HMRC officers) uneasy and reluctant, and requires specialised investigators, who are expensive:

"Investigating requires some financial accounting abilities and expertise, and in cases in which significant accounting abilities are required, the officers tend to think that this is a job for the HMRC or forensic accountants... Financial investigation of human trafficking cases, just as with other cases of organised crime, falls into the trap of lengthy, complicated process. Disruption is here and now! It's quick! We should not rely on the finances to do the whole thing. We have a financial investigation team [in the police] working on organised crime cases and human trafficking... but you reach at a certain point when a forensic accountant will be needed and this is very, very, very expensive..." (UK-E9).

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<sup>17</sup> In 2016, the then Home Secretary, Amber Rudd, announced an £11 million Modern Slavery Innovation Fund to be awarded for projects towards identifying and disrupting human trafficking. The fund is part of £33.5 million of overseas aid funding to support the UK's leading role in tackling modern slavery internationally (Home Office, 2016).



The financial investigation of human trafficking is also considered a very lengthy process and a “procedural nightmare” especially when financial institutions’ (e.g. banks) contribution in the form of evidence/statements is required (UK-E9; UK-E19). These financial institutions are rather reluctant to provide the necessary evidence for cases that do not proceed to court (see Brown et al., 2012). Under POCA 2002, the confiscation procedures involve negotiating the offender’s financial benefit from their criminal activities in order for an order to be made to deprive them of this benefit. Bullock (2014) suggests that a number of factors complicate ascertaining criminal benefit, on one hand, and identifying the available amount that can be confiscated, on the other, including the discretionary practice of police officers and financial investigators, organisational restrictions and compromise between defence and prosecution. As Hutton (2017) notes, the confiscation and financial sections of the cases dealt with by the Metropolitan Police very often stretch for years and in many cases the human traffickers serve their sentence and are released *before the end of the confiscation proceedings*.

Thirdly, a financial investigation into human trafficking does not often produce results commensurate to the effort and resources invested by law enforcement (UK-E14; UK-E19). Operation Pentameter 2, launched in October 2007, for example, was a joint national venture that involved all police forces in the UK, SOCA, the UK Immigration Service, the Crown Prosecution Service, and several NGOs. The operation resulted in 528 traffickers arrested, and “more than £500,000 worth of cash [...] recovered from those criminals arrested” (Home Office, 2008). If, for the economy of the argument, we accept that the cash seized amounts to £550,000, the cash seized per trafficker was an average of £1041.66. Sproat (2012) analysed British Ministry of Justice figures on Confiscation Orders placed on sentenced human traffickers for the period 2004 – 2009. These figures show that nearly 90% of the traffickers were not even issued a confiscation order, which made Sproat (2012: 156) offer a plausible explanation: human traffickers “had so few assets [and] the police/CPS did not even bother trying!” This is echoed in one of the interviewee’s accounts suggesting that when it comes to organised crime, human traffickers in the UK are not financially interesting compared to other organised criminals, who are the priority of financial investigation, such as drug smugglers:

“Financially speaking human traffickers, at least the ones in the UK, are at the bottom of the ‘food chain’ of organised criminals. Drug dealers are at the top. It is the drug dealers’ Lamborghinis and Porsches the government and the public want us to go after...” (UK-E15).

It is perhaps relevant to note here that, according to Bullock et al. (2009), who examined JARD data, in 2006/07 62% of confiscation orders were made for offences of “drug trafficking” followed by fraud/deception (10% of orders), burglary/theft (7% of orders), and VAT fraud (0.5% of orders). With regard to their value, confiscation orders with the highest *mean* values were VAT frauds (£336,000), followed by money laundering offences (£255,000), robbery (£21,500), drug trafficking (£20,000), and burglary/theft (£14,500). Human trafficking



did not feature in the analysis. Moreover, in a Home Office study, Brown et al. (2012) selected a number of cases that had a confiscation order assessed benefit value of £100,000 or more in order to identify the more serious cases, which were also considered most likely to relate to “organised” criminality. Of those, the percentage of cases that *could possibly* (but not necessarily) be “human trafficking-related” were only 5% for “prostitution” (3 cases) and 7% for “immigration offences” (4 cases). The reasons for the small reported proceeds of trafficking may be a result of the actual small profits for traffickers given the human trafficking in the UK is a purely competitive market, the fact that the most significant part of the business is cash-based, which makes the tracing of money extremely difficult, and the fact that payments are often made in source and transit countries. Of course, one needs to bear in mind that it is impossible for the authorities to differentiate between those human traffickers, who have simply spent their crime money and those who have successfully hidden their assets in other contexts. For instance, MX, the Chinese madam in Hutton’s (2017) study, transferred significant amounts of money to China and Malaysia.

Despite the challenges, there have been successful cases involving the investigation of human trafficking through even rudimentary financial aspects. For example, an investigation may come as the result of a trafficker displaying – e.g. on Facebook – income of more than £50,000 per annum without him/her having the corresponding legal means to support the lifestyle (e.g. UK-E15; UK-E19). In other cases, financial intelligence gathered from SARs (Suspicious Activities Reports) submitted to the UK Financial Intelligence Unit (NCA) has been instrumental in instigating and supporting investigations on human trafficking. In one case in 2015, during an investigation into an OCG suspected of human trafficking, a potential victim was identified through a SAR. The subject was able to provide investigators with useful information, which confirmed that she had been trafficked by the OCG, and arrests were made. In another case in the same year, a SAR built up the profile of an individual suspected of being involved in the trafficking of women for sexual exploitation and the running of brothels. The investigation instigated by the SAR provided information about the offender making suspicious payments to hotels (bookings on behalf of clients) and receiving cash payments of unknown origin (NCA, 2015b). In an investigation ongoing at the time of writing, which is looking at human trafficking and drug offences, numerous SARs have been received referring to cash credits being deposited all over the UK by individuals purporting to be studying on student visas. Around £2 million is believed to have been transferred to other persons involved. As a result, a number of arrests have been made, over £600,000 in cash has been seized and over £400,000 restrained (NCA, 2017d).

In some other cases financial investigation has been instrumental in the conviction of human traffickers in the UK, and money laundering cases have been prosecuted where human trafficking has been the underlying predicate offence to money laundering (although human trafficking is a predicate offence to a lesser extent than the “main proceeds-generating

activities of OCG")<sup>18</sup> (Moneyval, 2015: 60; Moneyval, 2005). In one case, for example, a couple were fraudulently receiving child welfare benefits for a child in their care. These benefits were paid directly into the subjects' joint bank account and the subjects would then withdraw the payments in cash from an ATM. A few hours after the withdrawal of the money, the couple would deposit the amount back into the account. The financial investigation revealed that the money deposited back was the proceeds of human trafficking, and that the couple were using the bank to launder their trafficking money. After several weeks, the couple would withdraw a lump sum and transfer it overseas via a money service business. The offenders were convicted of human trafficking and money laundering (FATF/OECD, 2011: 56-57).

It should also be noted that the UK is one of the countries that has committed to developing public-private financial information-sharing partnerships (FISPs) that bring public agencies and major financial institutions together to tackle money-laundering (and terrorist-financing). In one case, four members of a human trafficking network operating in the country were convicted in November 2016 as the result of an investigation developed through the UK FISP. Intelligence from law enforcement agencies on individuals and addresses linked to the sexual exploitation of women in London was shared with major UK banks. A bank's intelligence team used this information to identify a human-trafficking network, linked through common addresses, and reported this to law enforcement (Maxwell and Artingstall, 2017).

## 5. CONCLUSION AND RECOMMENDATIONS

Understanding the broader range of financial aspects of human trafficking is an important component of the process of crimes for gain and can contribute to more effective investigation and prevention (see also Antonopoulos *et al.*, 2015; Levi, 2013). However, despite the fact that "proceeds of crime" and "tackling criminal finances" have been a priority for policymakers and law enforcement agencies in the UK (and internationally) (see, for example, HM Government, 2015), there is "low level financial intelligence captured" (UK-E16) and relatively little is known about the financial management of human trafficking in the country.

Human trafficking data in the UK are unreliable, and apart from technical reasons (e.g. dark figure, dependency on actions by the authorities, identifying *potential* victims, etc.) this is because these data are often produced with an eye to isolating human trafficking from the illegal and legal economic activities trafficking facilitates (see Kopp, 2012).

Our research has shown that the human trafficking scene in the UK is extremely fragmented and with a low entry threshold. In those cases in which there is investment in a trafficking scheme, the start-up capital

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<sup>18</sup> E.g. tax frauds, drug-related crimes and smuggling of high-taxed goods.

derives from funds from legal businesses and savings and/or funds from other criminal activities especially for those traffickers who have a diversified criminal portfolio. Payments in cash are almost exclusively the case in the human trafficking business; the exceptions are some transactions that take place within the confines of a legal business or payments in kind (e.g. provision of free sex to corrupt officials). The traffickers employ a variety of negative, positive and administrative methods to ensure payment from victims.

The costs for doing business depend on the scale of the trafficking scheme and its logistical complexities, the distance of the country of supply of victims, the degree of legality of the scheme and its possible embeddedness in a legal business, the number and types of actors involved, and a number of unforeseen expenses in critical moments. The profits depend on the trafficker's rationale for entering the business, the number of victims exploited, the vulnerability and (perceived) "quality"/worthiness of the victims, the embeddedness of the exploitation phase in a legal business, and the presence of loans to victims.

Although some significant amounts have been laundered in *specific* cases, generally, sophisticated laundering schemes are the exception rather than the rule in the UK. The management of profits from human trafficking reflects primarily the fragmented nature of the phenomenon, the relatively small size of most schemes, the financial abilities of the criminal entrepreneurs and possible embeddedness of a trafficking scheme in a legal business, as well as the traffickers' personal circumstances. Investments are modest (reflecting in most cases the modest profits made in a rather open and highly competitive business), and apart from property, traffickers invest in cash-intensive businesses.

A number of recommendations can be made on the basis of our account. Firstly, continuous development of the knowledge base on the social organisation of human trafficking and its financial aspects is necessary. Finances are not just another element of the human trafficking process but are integrally linked to the social organisation of the phenomenon from recruitment to exploitation. In addition, there is a need for research to be done on the rationale of human traffickers for entering the business. Considering "getting money" as simply the rationale for entering (and staying) in the business offers a partial and incomplete view. Moreover, there is a need for continuous development of the knowledge base on the ways ICTs have been impacting on the social organisation and finances of the particular business. In the online sphere, a few years can be an era in terms of developments.

Secondly, and from a law enforcement practice point of view, it is important for a financial investigation of human trafficking (and other manifestations of organised crime) to begin as early as the intelligence collection phase for two reasons:

- financial investigation may provide material that can reveal details about a suspect's life, activities, associates, etc., that are functional for the criminal investigation (see also ACPO, 2006);

- if the financial investigation does not run in parallel with a criminal investigation, there is significant risk that the assets would not be available when the authorities reach the stage of confiscation.

Given that the financial investigation remains secondary concern to an investigation of human trafficking, and given the difficulty in changing culture in the criminal justice system, it is imperative that the performance of the authorities is not judged only by how much trafficking money they confiscate against a target (which may be set artificially high) (see Bullock et al., 2009) but also how trafficking statistics are influenced by denying traffickers their assets (see House of Commons – Home Affairs Committee, 2016b). Although this is rather difficult to do, methodologically speaking, it may incentivise law enforcement agencies to integrate a financial investigation at an early stage of the whole investigation process.

## LIST OF ABBREVIATIONS

<b>ACPO</b>	Association of Chief Police Officers
<b>CPS</b>	Crown Prosecution Service
<b>EEA</b>	European Economic Area
<b>FATF</b>	Financial Action Task Force
<b>FISS</b>	Financial Investigation Support System
<b>FRONTEX</b>	European Border and Coast Guard Agency
<b>GAIN</b>	Government Agency Intelligence Network
<b>GLAA</b>	Gangmasters and Labour Abuse Authority (formerly Gangmasters Licensing Authority)
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>JARD</b>	Joint Asset Recovery Database
<b>MPS</b>	Metropolitan Police Service
<b>MSHTU</b>	Modern Slavery Human Trafficking Unit
<b>NCA</b>	National Crime Agency
<b>NERSOU</b>	North East Regional Special Operations Unit
<b>NGO</b>	Non-Governmental Organisation
<b>NPIA</b>	National Policing Improvement Agency
<b>NRM</b>	National Referral Mechanism
<b>OCGs</b>	Organised Crime Groups
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>POCA</b>	Proceeds of Crime Act
<b>POCC</b>	Proceeds of Crime Centre
<b>RART</b>	Regional Asset Recovery Team
<b>ROCU</b>	Regional Organised Crime Unit
<b>SARs</b>	Suspicious Activity Reports
<b>SCDEA</b>	Scottish Crime and Drug Enforcement Agency
<b>SOCA</b>	Serious and Organised Crime Agency
<b>SPOC</b>	Single Point of Contact
<b>UK</b>	United Kingdom
<b>UKBA</b>	United Kingdom Border Agency
<b>UKFIU</b>	UK Financial Intelligence Unit
<b>UKHTC</b>	United Kingdom Human Trafficking Centre
<b>UNTOC</b>	United Nations Convention against Transnational Organised Crime

## LIST OF INTERVIEWEES

Name	Position/department	Institution/role
UK-E1	Academic researching organised crime	UK University
UK-E2	Academic researching organised crime	UK University
UK-E3	Academic researching human trafficking	UK University
UK-E4	Member of NGO	Barnardo's
UK-E5	Senior Police officer – Organised Crime Unit Lead	British Police
UK-E6	Police and Crime Commissioner	British Police
UK-E7	Police and Crime Commissioner	British Police
UK-E8	UKHTC/NCA representative	National Crime Agency
UK-E9	Senior Police officer/Organised Crime Unit	British Police
UK-E10	GLAA representative	Gangmasters and Labour Abuse Authority
UK-E11	Police interpreter [working with Romanian migrants]	British Police
UK-E12	Investigative officer	HM Revenue and Customs
UK-E13	Manager	Residential Child Care/Social Services
UK-E14	Official	Strategic Centre for Organised Crime, Home Office
UK-E15	Detective/Organised Crime Unit	British Police
UK-E16	Head of Forensic Accountancy	British Police
UK-E17	Member of NGO	ECPAT (Every Child Protected Against Trafficking) UK
UK-E18	Head of local Cyber Crime Team	British Police
UK-E19	Coordinator	Regional Special Operations Unit/GAIN
UK-E20	Criminal and Financial Investigation Officer	Immigration Crime Team, Home Office
UK-V1		Rescued trafficking victim <sup>19</sup>

<sup>19</sup> The author is indebted to Iris Mordue for the interview with the rescued trafficking victim.



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