

The Spanish illegal economy

Key findings

1. We have reconstructed and calculated the value and flows of the Spanish illicit economy from **primary sources** : the proven facts of 500 sentencing cases and other judicial documents, 120 interviews, as well as 45 official databases. Secondary sources (published news as well as 550 case studies and partial studies) play only a complementary role.
2. The **annual illegal income** amounted to a minimum of € 70,000million in Spain in the years 2000 to 2015. 88% of this amount - € 60,500m - is generated with six forms of white collar crime (in order of importance: embezzlement, large tax crimes, crimes against land use planning, diversion of subsidies, scams and payment of gifts) while the remaining 12% - € 8,200 million - is the result of five blue collar crime types: drug trafficking, robberies and theft, trafficking of tobacco products, coercive prostitution and unauthorized arms trafficking. The € 70,000million does not include intangible assets with landscape, natural and historical-artistic value that have been lost forever as a result of the commission of urban crimes, and whose value is impossible to quantify.
3. Three quarters of these € 70,000million are hidden and transformed - or “bleached” - within **Spanish territory**, although a third of this amount does so after making a trip back and forth abroad. The remaining quarter is bleached in third countries by hiding, transforming or simply emerging as money not considered illegal in any of them, a journey - the international one - that we will describe in a next report in detail.
4. Only part of the **large denominations** - € 500 and € 200 bills - that have reached € 70,000 million at the height of the real estate boom, are of illegal origin. A third of this amount remains hidden in safes, double partitions (“money under the mattress) while the remaining two thirds are used, preferably, in transactions related to the real estate and construction sector. The bribery circulates to a large extent through this kind of banknotes, but only a small part of the drug money does it on this support.
5. At least 14,000million euros of illicit money are **transformed** into current and luxury consumption. The major white-collar economic criminals allocate the highest percentage to real estate, while those with blue collar mostly spent their money on consumption and purchase of cars. Financial institutions, especially foreign banks, occupy a central place in large plots and savings banks are less permissive than private banks when accepting illegal assets to improve their liabilities.
6. The “laundering” of white collar assets is more and better **organized** than the one from the blue-collar ones, since many of its protagonists use the legal organizations in which they work. We have found hardly any evidence of the

existence of “criminal organizations” created to launder illicit assets, even those from earlier crimes, although we have found many “organized criminals”. In the most significant cases, which are a minority, forms of operation are based on concentric circles or planetary systems rather than pyramidal structures. This means that the different actors “revolve” around the central nuclei of the frames without those necessarily knowing the details and objectives pursued by the latter. Commercial relations between those involved are more intense in outdoor spaces, while ascriptive relationships dominate in the nuclei. This applies to both white collar and blue collar frames.

7. The **locations** that concentrate the highest number of illicit acts per 1,000 inhabitants during the period studied have been some small ones widely used by white-collar criminals, many of them eradicated on the Costa del Sol, as well as some of the Madrid Community such as Pozuelo de Alarcón. Ceuta, Melilla and Navarra are the **Autonomous Communities** with the highest density of illicit assets per inhabitant, the latter due to the presence of assets from kidnappings and the extortion of ETA that add to those from other crimes. In addition, the cases of the communities of Murcia, the Balearic Islands and Madrid stand out due to the strong presence of assets from important white-collar cases..
8. Approximately 70% of the illicit money is self- laundered by the ‘predicate criminals’: money laundering markets are not as large as intended. However, money laundering is cheap and increasingly so due to the predominance of competition over financial cooperation between jurisdictions in the world. The highest known rates are paid in the market for informal international compensation systems, for the purchase of false identities and for the movement of cash. Money laundering using tax advice and wealth management services is particularly cheap for large tax evaders, as the social stigmatisation of tax crime is low. In addition, tax bases and defrauded fees always circulate together, which triples the volume of the money laundering market by reducing the cost per processed euro.

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