Transnational Crime

Is cross-border criminality getting worse?

Instant global communications and open trade routes have been a boon to businesspeople and consumers — as well as to international criminals. “Transnational organized crime” — in U.N. and U.S government parlance — has been expanding over the past two decades, some officials say, threatening to overwhelm the legitimate world economy. Criminals have raced ahead of law enforcement in adapting to globalization and modern technology, experts argue, citing booming ivory and drug smuggling, human trafficking, piracy, cyber-theft and counterfeiting of luxury goods. Others counter that transnational crime is not new but simply a modern form of an old crime — smuggling — and that new technology also enables law enforcement to better track down criminals, even across borders. Both sides agree, however, that modern technology enables hackers, pirates, smugglers and others to inflict widespread damage more quickly than in the past. The intersection between internationally minded criminals and terrorism is another worry, with terrorists turning to crime to finance their operations.
THE ISSUES

699 • Is the danger from transnational crime exaggerated?
• Does the failure to stop drug trafficking suggest that fighting other transnational crime also will fail?
• Should the illegal activities of banks and corporations be classified as transnational crimes?

BACKGROUND

705 Slaves and Pirates
Many cross-border crimes were once legal.
706 Prohibition
The U.S. ban on liquor sparked smuggling.
708 Globalized Crime
The Soviet Union’s collapse and globalization heightened concerns about transnational crime.
710 Terrorism and Crime
After the 9/11 attacks, investigators began examining global criminals’ links to terrorists.

CURRENT SITUATION

712 Arresting Russians?
U.S.-Russia tensions have hampered efforts to curb Russian hackers.
712 Threatened Wildlife
Ivory trafficking threatens African elephants.

OUTLOOK

714 Grim Future
Smugglers seem likely to continue benefiting from inconsistent enforcement.

SIDEBARS AND GRAPHICS

TRAFFICKERS USE COMPLEX INTERNATIONAL NETWORKS
Smuggling of heroin, cocaine, weapons, humans, lumber and wildlife follows routes throughout the world.

HUMAN TRAFFICKING VARIES BY REGION
Sex trade is the most common type in Europe and Central Asia.

CRIMINALS WANT CORRUPT STATES — BUT GOOD ROADS, TOO
Transnational crime requires reliable communications and banking.

AT ISSUE:
Is the transnational organized crime threat exaggerated?

FOR FURTHER RESEARCH

FOR MORE INFORMATION
Organizations to contact.

BIBLIOGRAPHY
Selected sources used.

THE NEXT STEP
Additional articles.

CITING CQ RESEARCHER
Sample bibliography formats.
**Transnational Crime**

**THE ISSUES**

In the last year, some 230,000 people worldwide received a startling message when they turned on their computers: “Your personal files are encrypted! . . . To obtain the private key for this computer, which will automatically decrypt files, you need to pay 300USD/300EUR/similar amount in another currency.”

The scam and an associated scheme paid off: Victims handed over an estimated $100 million for the cyber-extortion by Russian and Ukrainian hackers.

With help from Europe and other countries, U.S. authorities pulled the plug on the “CryptoLocker” data-ransom operation. But those behind it remain free, like other Russian hackers in recent years.

Cyber-extortion is part of a much broader problem that the United Nations Office on Drugs and Crime (UNODC) calls “transnational organized crime.” It includes not only cross-border hacking but also ivory and wildlife smuggling, piracy on the open seas, counterfeiting of high-end, name-brand products and trafficking in drugs, human organs, weapons and sex workers.

Statistics on the phenomenon are notoriously unreliable, partly because countries define and measure transnational criminal activity differently — or don’t collect data on it at all. In its latest report, issued in 2011, the UNODC said international criminals raked in some $2.1 trillion in illicit profits in 2009. But that figure is based on a 1998 International Monetary Fund (IMF) estimate of laundered crime profits. “There is currently no single method that would give clear, unambiguous and indisputable results,” the U.N. agency said.

Nonetheless, official assessments suggest transnational crime is overwhelming law enforcement. Such crime “poses a significant and growing threat to national and international security, with dire implications for public safety, public health, democratic institutions and economic stability across the globe,” the Obama administration said in 2011. “The underworld has become inextricably linked to the global economy,” the UNODC said a year earlier.

Some crime scholars argue, however, that transnational crime is neither new nor more of a threat than in the past. “In some ways, it was a bigger problem at earlier points in history,” says Peter Andreas, a political science professor at Brown University in Providence, R.I. “In Miami in the ’70s,” he says, drug-money launderers “could walk into a bank with a duffel bag of cash, no questions asked.” (See “At Issue,” p. 713.)

In addition, experts say some modern developments, such as instant Internet communication and globalization, give police and prosecutors new advantages, such as the ability to trace criminals’ electronic trails, as the Justice Department did to take down CryptoLocker, which was aided by a network of computers secretly infected with malware known as “Gameover Zeus.”

“We succeeded in disabling Gameover Zeus and CryptoLocker,” said Deputy U.S. Attorney General James M. Cole, in part because of “strong working relationships with private industry experts and law enforcement counterparts in more than 10 countries.”

Still, transnational criminals today can inflict widespread damage more quickly than their predecessors. A month after the CryptoLocker plot was disrupted, another Russian hacking group reportedly captured an astonishing 1.2 billion user name-password combinations and more than 500 million email addresses. Indeed, thousands of

**BY PETER KATEL**
hackers, smugglers and other criminals benefit from today’s Internet-enabled instantaneous global communications and the boom in international trade sparked by globalization. 8

Meanwhile, Interpol, popularly imagined to be a sort of global super-police, is actually just a data exchange and training agency, and international treaties to control transnational crime have often been ineffective.

International agreements can prove less persuasive than profits. In Thailand, for instance, civilian and military officials profited from the trafficking of asylum seekers from Myanmar and Bangladesh — members of the Muslim Rohingya ethnic minority — for forced labor, according to a State Department annual report released in June on countries’ efforts to comply with a U.N. anti-trafficking treaty.

“People died there every day,” said Akram, a Rohingya rescued from a Thai rubber plantation last year. Thailand, also home to a thriving sex-worker trafficking industry, largely has not kept promises to improve anti-human trafficking enforcement, the report said. 9

In other instances, countries may agree to cooperate in fighting global crime, but national sovereignty often trumps another country’s request to have a foreign national arrested on his home turf. For instance, in July the Netherlands refused a U.S. request to extradite a former senior Venezuelan intelligence official indicted for alleged ties to Colombian drug traffickers. 10

Moreover, the National Intelligence Council reported to Congress in 2011, “Terrorist organizations . . . are turning to criminal activities such as kidnap-
ping for ransom to generate funding to continue their operations.” According to *The New York Times*, al Qaeda and close affiliates have received at least $125 million in payments to free kidnap victims since 2008, often paid by Western European governments and sometimes disguised as aid grants. 12

The ransom issue took on grim new urgency with the beheading — made public by a video released on Aug. 19 — of U.S. journalist James Foley by the Islamic State, often referred to as ISIS or ISIL, the jihadist army that controls parts of Syria and Iraq. Foley’s kidnappers had demanded a multimillion-dollar ransom that the United States — following longstanding policy — refused to pay. But four French and two Spanish journalists had been freed earlier after their governments paid ransoms, reported journalist David Rohde of *The Atlantic* (himself a former Taliban hostage who escaped). 13

Criminal-terrorist links clearly arouse concern. “Boko Haram has been terrorizing the Nigerian people for years, and now they’re involved in this horrific case of human trafficking,” said Rep. Kay Granger, R-Texas, chair of the House Financial Services Committee. “It takes years, it doesn’t work and prosecutors generally give up.”

The internationalization of financial crime reveals “fundamentally broken processes,” he continues. “In the financial world, people have just purchased a version of the latest Ferrari or Lamborghini and are tooling at 200 miles an hour, and in the background you’ve got a couple of cops on broken rent-a-bikes trying to catch up.”

Bank of America agreed on Aug. 21 to pay $16.6 billion to settle Justice Department charges of fraud in selling mortgage-backed securities. The accusations were made in a civil case, though the department did not exclude the possibility of criminal charges against individuals. However, department officials and some outside experts say proving criminal intent by executives in cases arising from the financial crisis is virtually impossible. 17 The UNODC’s figures on the scope of transnational crime don’t include those of financial institutions allegedly acting fraudulently.

Assertions that the financial crisis stemmed from widespread cross-border law-breaking are “ideologically motivated,” says Stewart Baker, a Washington lawyer and cyber-security specialist who was assistant secretary for policy in the Homeland Security Department during the George W. Bush administration. “We certainly know that transnational corporations pose special problems for international regulation, but to add those to the category of transnational crime would probably just make the category less meaningful.”

As law enforcement authorities around the globe strive to arrest and prosecute international criminals, here are some of the questions academics, police and governments are debating:

**Is the danger posed by transnational crime exaggerated?**

The most fundamental debate concerning transnational crime is over the magnitude of the danger it represents. It “poses a significant challenge to the United States and democratic governments and free-market economies around the world [and] a direct and immediate threat to the national security of the United States,” concluded a multi-agency assessment released by the outgoing Clinton administration in December 2000. 18 That same year the U.N. General Assembly adopted a nearly identical stance.

Five years later Moisés Naim, a prominent Washington foreign-policy specialist and then-editor in chief of *Foreign Policy*, wrote in a widely cited book: “All the evidence from the illicit trade in arms, drugs, human beings, counterfeits, money laundering… to say nothing of international terrorism, points us over and over to the driving force that international networks exercise in eroding the authority of states, corrupting legitimate businesses and governments and hijacking their institutions.” 19

Such alarmed tones provoked a strong counter-argument about the dangers posed by transnational crime. “What is increasing is the amount of fuss made about it and the careers built on constructing platitudes to describe it,” wrote R. T. Naylor, a professor of economics at Canada’s McGill University in Montreal, Quebec, a long-time scholar of illegal markets. 20

Capitol Hill veterans such as Blum, a former staff lawyer for the Senate Antitrust Subcommittee and the Senate Foreign Relations Committee, say the grimness of some official assessments reminds him of the drug war build-up in the 1980s. “You’re running a law enforcement agency, you want a budget,” he says. “So you hype like crazy to make sure you have a budget.”
Others share in the official alarm but acknowledge that statistics on transnational crime are unreliable for certain crimes, such as wildlife and sex trafficking. “By definition, illicit businesses don’t want to be counted or sized in any kind of proper way,” says Nils Gilman, associate chancellor at the University of California, Berkeley, and author of a study on black market globalization.

In one field alone — stolen art and antiquities — Interpol has estimated losses at $6 billion to $8 billion a year. “I’m extremely skeptical of all the numbers I hear,” Gilman says. “The numbers are, quote-unquote, plausible, but probably because I’ve heard them repeated again and again.” 21

Still, cyber-crimes, he says, are genuinely new and dangerous: “The stealing of personal information is extremely disruptive and causes economic problems.”

Louise I. Shelley, who directs the Terrorism, Transnational Crime and Corruption Center at George Mason University in Fairfax, Va., argues that crimes such as drug, wildlife and human trafficking clearly cause enormous damage, even if precise data is absent. “Yes, it would be better if we had data” on the many forms of illegal international activity, she says, including “data on how incredibly large the drug markets are.” Citing a UNODC estimate of total transnational crime commercial volume in 2009, she said, “We don’t know precisely, but we’re probably talking about 7 percent of the world’s trade.” 22 (See “At Issue,” p. 713.)

Yet, others say “transnational organized crime” is simply a modern term for an age-old phenomenon. “Hacking by definition is new, but it’s in some ways an old crime — theft,” says Brown University’s Andreas. “We come up with new words to describe these things because they exist in the cyber-world.”

Similarly, smuggling is an ancient crime that has increased in volume, but not necessarily as a percentage of global trade flows, says Andreas, who wrote a 2013 book on illicit trade in U.S. history. 23 “A lot of globalization is about reducing trade barriers, which in some ways has drastically reduced incentives to smuggle,” he says. “The stuff that is [still] smuggled is stuff with high taxes on it, like cigarettes.”

Nevertheless, even experts who see political motives behind some official characterizations of globalized crime worry that certain schemes can have grave worldwide consequences.

Blum points to “an explosion of financial crime,” citing continuing damage from a long-running scam called “prime bank instrument fraud,” in which people are lured to invest in nonexistent investment instruments allegedly sanctioned by major financial institutions such as the Federal Reserve or the IMF. The U.S. Treasury Department, which has posted detailed warnings about such schemes, says they have bilked individuals and organizations around the world of billions of dollars. 24

Instrument fraud and other financial scams existed long before the Internet, Blum acknowledges. But as early as 1998, he and colleagues were warning that criminals were setting up banks online with no fixed physical address, making enforcement all but impossible. 25

“When people commit crimes, they do not report to some international statistics agency,” Blum says. “Is it much worse? What are the trends? Without hard knowledge it is hard to say. But we can sense anecdotally that, particularly in the financial area, it’s out of control.”

Nikos Passas, a professor of criminal justice at Northeastern University in Boston, has a more muted view. He agrees that technology has given criminals access to instant new worldwide communication, encryption and other tools that only governments used to enjoy, and that cyber-criminality can victimize large numbers of people or institutions. But, he adds, “We do not have a paradigmatic shift. We have different vulnerabilities.”

For instance, Passas says, criminals have also become more vulnerable, because globalization offers “different opportunities for control,” such as recently revealed global communications monitoring by the U.S. National Security Agency (NSA). “The NSA has shown that. There are handles on crime; it’s not like it’s out of control.”

**Does the failure to stop drug trafficking suggest that fighting other transnational crime also will fail?**

Despite decades of international anti-drug enforcement, the global illegal drug industry enjoys a steady supply of raw materials, unencumbered transportation routes and high consumer demand.

International enforcement has not put a major dent in the international illegal drug industry, the Congressional Research Service reported last year. “In 1998 . . . the United Nations committed to ‘eliminating or reducing significantly’ the supply of illicit drugs by 2008,” the nonpartisan research agency noted last year. “In 2009, when that goal had not been accomplished, U.N. Member States agreed to recommit to achieve this goal in another decade, by 2019.” 26

Nevertheless, the prevalence of illicit drug use worldwide is “generally stable,” with the total number of users “commensurate with the growth of the world population,” the UNODC reported this year. 27 Although statistics on the drug trade are shaky, the agency estimates that the drug-using population ranged from as low as 162 million to as high as 324 million worldwide in 2012, or between 3.5 percent and 7 percent of the world’s population. 26

The New York-based Council on Foreign Relations said in a report last year that countries generally agree on how to define and prosecute international drug trafficking. But the “norms for law enforcement and judicial cooperation remain weak, vague or nonexistent,” rendering the international
agreements on transnational crime essentially toothless, concluded the nonpartisan think tank. 29

Crime specialists who favor legalizing drugs say the ineffectiveness of drug regulations proves their futility. Shrinking the drug supply through enforcement doesn’t eliminate demand, they argue, and crackdowns only benefit drug traffickers. “If you succeed, what happens to the price of drugs? They go up; and profits? They go up as well — a really, really bad dynamic,” says Black, of the University of Missouri-Kansas City law school. A former litigation director of the Federal Home Loan Bank Board, Black is also a former deputy director of the National Commission on Financial Institution Reform, Recovery and Enforcement, which examined the causes of the savings and loan crisis of the 1980s.

But what Black views as doomed anti-drug efforts does not necessarily mean that efforts to fight other transnational crimes will fail, he says. The United States still wields considerable global power, and financial and other crimes do not enjoy the overpowering consumer dependence on an illicit product like drugs, he says. “We can actually create standards of conduct in areas like finance,” he says. “It is hard, but . . . we know what steps to take.” These include pursuing criminal prosecutions of banks that violate laws, rather than ending cases with a guilty plea and a fine, he says. In June, for instance, BNP Paribas, France’s biggest bank, pleaded guilty to violating U.S. economic sanctions against Sudan and Iran and agreed to pay an $8.9 billion fine. 30

But financial crime expert Blum says substantial differences in laws and procedures between countries pose major — and usually prohibitive — restrictions on transnational enforcement. “There is no way to compel the attendance of a witness across international borders, he says. Technology that enabled Internet-based global banking has raced far ahead of national sovereignty laws, Blum says. “This kind of antique legal arrangement is just not working,” he argues. “For all of the ways in which the Internet and the ability to wire money instantly have improved, the law enforcement side of it is nowhere.

“There are, for example, all these mutual legal-assistance treaties,” he adds. “Everybody touts them. Try to use one, and see what happens.” In practice, he says, countries usually give their sovereignty priority over other countries’ criminal cases, regardless of treaties.

But Gilman of UC Berkeley — citing a recent U.S.-Swiss accord designed to weaken bank secrecy in Switzerland — suggests that governments trying to deal with financial problems stemming from the financial crash of 2008-09 may be about to make transnational financial crimes a higher priority. Two years ago, “I would have said no,” it’s not going to happen, he says. “But the United States has cracked down on bank secrecy in Switzerland to an extent I never would have imagined.”

The reason is simple, Gilman says. “Governments are desperate for revenue,” he explains. “That could create a shift in tolerance. If we were able to close up the holes in the global financial system, that would severely restrict all other illicit businesses, because it would be harder to launder their money.”

But even if enforcement of financial crimes is getting stricter, transnational criminals remain technologically ahead of the authorities, says Douglas Farah, an investigative reporter and consultant specializing
Should the illegal activities of banks and corporations be classified as transnational crimes?

The explosion of concern about transnational crime that followed the geopolitical and economic changes of the 1990s — such as the collapse of the Soviet Union and the rise of Asian manufacturing centers — prompted arguments about how to define international law-breaking.

Should it include only hard-core crimes such as smuggling, trafficking and cyber-hacking? Or, should transnational offenses also include illegal activities by banks and corporations?

As early as the late 1980s, criminologists had begun exploring the idea of a broader definition of crime, in a “crimes of the powerful” sub-specialty, which they dubbed “state-corporate crime.”

The field included crimes committed by corporations on their own initiative or on orders of a government. Some scholars broadened the scope of the concept to include transnational events. Passas, of Northeastern University, cites the design, operation and quality of regulation of Japan’s Fukushima nuclear plant, wrecked by a 2011 earthquake and tsunami. Citing those three factors, a Japanese parliamentary investigation called the disaster “man-made.” Now shuttered, the plant continues to leak radioactive water into the ocean.

“If Fukushima keeps leaking . . . , you’re not going to be able to eat fish in California,” Passas says, citing reports of recent major leaks. But Passas concedes that, despite persistent criticism of official handling of the disaster, what may seem like criminal behavior can only be treated as such if a country has applicable laws.

Likewise, legislative bodies would have to conclude — as he has — that some financial maneuvering is criminal. “Extraordinary risk-taking with derivatives and subprime mortgages — nobody went to jail for those things,” he says. “If you know what you are doing, you [can] take advantage of the legal environment. People play with definitions; some people decide that some things are going to be left out of criminal law, even very serious misconduct that has structural and systemic implications.”

Karl Lallerstedt, a co-founder of Black Market Watch, a think tank in Geneva, Switzerland, that is developing ways to track illicit cross-border trade, argues that not all unethical behavior need be defined as criminal. “You are collecting toxic debt and selling it to other people,” he says, differentiating between breaking criminal laws and not complying with government regulations and industry standards.

Lallerstedt is focusing on the smuggling of legal goods, such as untaxed cigarettes. Such economic crimes arouse little public indignation or law enforcement interest, despite their intersection with hard-core criminal activity, he says. “Illicit trade in normally legal goods is a low priority because it’s not considered so sexy,” he says. “Guns, drugs receive priority. But if the same groups are involved in multiple activities, and the same routes are being used, perhaps corrupting the same individuals to facilitate the movement of these products, [then] you have a synergy effect.”

In an essay this year, Gilman of UC-Berkeley drew a deeper distinction between transnational businesspeople involved in legal transactions and transnational criminals intentionally breaking laws. The businesspeople — whom Gilman calls members of a “ plutocratic insurgency” — seek to weaken government taxation and regulation, even as they enjoy government-provided services, he wrote. Members of the “criminal insurgency” dodge law enforcement to provide goods and services that are quasi-legal in some places but illegal in others — such as illicit drugs.

“There are myriad connections between the two categories, but it’s useful to keep them distinct,” Gilman says. “Hedge fund managers aren’t running drug or organ trafficking rings.”

---

**Human Trafficking Varies by Region**

Sexual exploitation is the most common form of human trafficking in Europe, Central Asia and the Americas, while forced labor is more prevalent in Asia, the Pacific, Africa and the Middle East.

<table>
<thead>
<tr>
<th>Region</th>
<th>Sexual exploitation</th>
<th>Forced labor</th>
<th>Other forms*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe and Central Asia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Americas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Asia, East Asia and Pacific</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa and Middle East</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Includes trafficking in organs and using children as child soldiers, beggars or petty criminals or as sources of body parts for rituals and/or traditional healing.

BACKGROUND

Slaves and Pirates

Experts today may debate what activities are transnational crimes, but they agree that certain activities clearly belong in the category — such as slavery, piracy and human trafficking. Yet, measured against the span of recorded history, such enterprises were legal and sometimes even government-sponsored or sanctioned — before they were prohibited.

Slavery was the norm in ancient Greece and Rome and subsequent early civilizations. And the massive Atlantic slave trade that enriched European colonial powers and shaped the futures of the United States and the Americas began as a state-sponsored enterprise, founded by the Portuguese crown in the early 1400s, during early explorations of coastal western Africa. 35

By 1833, Britain — once a major slave-trading power — had banned slavery throughout its empire and begun efforts to ban it worldwide, with limited success. In 1845, for instance, the trafficking of slaves to the Spanish colony of Cuba was booming. Spain didn’t abolish the trade until 1867; Portugal did so in 1869. European powers promised to prohibit slave-trading in their African colonies in the General Act of Brussels of 1890. But slavery and slave-trafficking were not definitively defined as international crimes until adoption of the Slavery Convention of 1926, amended in 1953. 36

The transition from legal international activity to prohibited criminal act was even more complicated in the case of another crime whose roots date to antiquity — piracy.

For instance, during the 16th- and 17th-century wars for control of Atlantic and Caribbean trade and territory, Britain and France authorized “privateering” — the seizing of enemy vessels by naval entrepreneurs who would split the proceeds with their governments. Spain considered these robbers pirates, but some modern scholars say because the privateers attacked ships of their enemies, they were in a different category from pirates. 37

As a young nation, the United States also authorized privateers against British vessels during the Revolutionary War and the War of 1812. 38

But it was government-sanctioned piracy along the Barbary Coast of North Africa that led the new United States in 1794 to re-establish its navy, which had been disbanded after the American Revolution. The Ottoman provinces of Tripoli, Algiers and Tunis — known as the Barbary states — had been plundering European merchant ships in the Mediterranean Sea for centuries, demanding ransom for the crews or selling them into slavery.

After American independence, the pirates began seizing U.S. merchant ships and their crews, and for years the government paid ransom — or “tribute” — to retrieve them. But, Presidents Thomas Jefferson and James Madison went to war against the Barbary states — once in 1801-1805 and again in 1815 — eventually putting an end to the seizure of U.S. ships. 39

Privateering was not outlawed internationally until a treaty signed in Paris in 1856. And, despite centuries-old prohibitions on piracy, it was not defined as a crime under international law until the Geneva Convention on the High Seas in 1958. Further international agreements were signed in 1992 and 1994. 40

Trafficficking in wildlife and animal parts, by contrast, was not recognized as a threat to certain animal species until the 20th century. In 1900, a convention signed in London represented the first international attempt to protect endangered species. That same year, President William McKinley signed the Lacey Act, designed with the same objective at the national level and later expanded to cover wildlife imported into the United States. 41

The London treaty was ineffective, as were 1940 and 1968 conventions designed to protect wildlife in Latin America and Africa, respectively. Then, in 1973, 21 countries signed the sweeping Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), which made trafficking in endangered or threatened wildlife a crime. Since then, 180 countries have signed on. But with a booming ivory trade threatening African elephants with extinction, the CITES treaty alone hasn’t ensured that it is enforced everywhere. 42

Similarly, international conventions on protecting intellectual property have not prevented a global boom in the trade of counterfeit products. International protection of patents, trademarks and copyrights dates to the 1883 Paris Convention for the Protection of Industrial Property. In addition, protection is now provided, at least legally, by the World Trade Organization’s Agreement on Trade-Related Aspects of Intellectual Property Rights, and — for strictly intellectual property matters, including patents, the U.N.’s World Intellectual Property Organization. 43

Yet trade in counterfeit goods is thriving, projected next year to total up to $1.7 trillion, putting 2.5 million legitimate jobs at risk, according to the Paris-based International Chamber of Commerce. 44 Last year, the European Union seized about $1.04 billion worth of counterfeit goods, 12 percent of which was clothing. In the United States, an estimated $1.7 billion worth of counterfeit goods were seized in fiscal 2013, about 35 percent of which was clothing. 45

China is by far the single biggest source of counterfeit products found in Europe and the United States: 66 percent of items seized in the EU originated in China, as did 68 percent of those found in the United States. 46 But, on
of the time — as "white slaves." Japanese and Mexican women also were smuggled in to work in big-city brothels. By one estimate, a New York gang made the current equivalent of $15 million in one year from trafficking women.

**Prohibition**

A 1920 U.S. law banning alcohol had the unintended consequence of creating a major smuggling industry to serve alcohol to American consumers. By 1933, when Prohibition was repealed, a sizeable smuggling industry was concentrated along the Atlantic Coast and the Canadian side of the U.S. Northern border.

Even before Prohibition began, however, Congress had begun laying the groundwork for what would become, decades later, drug prohibition. In 1914 the Harrison Act regulated the distribution of cocaine and opiates — the most popular mood-altering substances apart from alcohol — by requiring that they be taxed and sold only by prescription. The Marijuana Tax Act of 1937 imposed further restrictions on drugs.

The opiate and cocaine markets expanded, partly due to energetic efforts by traffickers from the United States and elsewhere, who developed international smuggling routes. France became a major source for legally produced opiates and cocaine that were diverted into the illegal transatlantic trade.

The Comprehensive Drug Abuse Prevention and Control Act of 1970 classified drugs according to their potential for medical use and abuse. The next year, President Richard M. Nixon told Congress that drug use had "assumed the dimensions of a national emergency" and declared "a war on drugs." But drug demand kept growing. By the early 70s, heroin production and smuggling routes were thriving from Turkey and then from Southeast Asia, where the U.S. government supported regional military forces that actually engaged in heroin trafficking. Pakistan and Mexico also came to play ever-increasing roles in heroin trafficking. A growing U.S. appetite for marijuana, meanwhile, was being fed not only by supplies from Mexico, the traditional source, but increasingly from Colombia, which also became a major source of cocaine.

By the 1980s, the transnational illegal drug industry had grown to the point that its financial practices — especially its efforts to "launder" profits to disguise the source — had become as big an issue for policy-makers and journalists as trafficking itself.

In that period, the major overseas drug organizations, based in Colombia, wanted to repatriate dollars made in the United States back to their home countries and, in some cases, to invest some of it in the United States. Banks in Miami — considered the U.S. center of the drug trafficking industry — happily did business with clients bearing duffel bags stuffed with dollars.

In 1987 FBI agents arrested nine people in Miami and 32 others elsewhere for allegedly laundering $200 million, some of which had arrived at an FBI front company in boxes, suitcases and duffel bags of which had arrived at an FBI front company in boxes, suitcases and duffel bags in quantities of up to $2.5 million at a time. The front company had run the money through banks, which then wired it to accounts in Panama, Switzerland and Tokyo.

In 1988, the issue of illegal international transactions took on a much bigger dimension after the Bank of Credit and Commerce International (BCCI) was indicted for laundering drug money. The Luxembourg-based bank had branches in many countries, including the United States.

In a plea bargain, two bank officials pleaded guilty to reduced charges, and BCCI was fined $14 million. More significantly, the Senate Terrorism, Narcotics and International Operations Subcommittee, led by then-Sen. John Kerry, continued on p. 708
1790-1912
United States creates Navy to fight piracy and extortion in North Africa. Transnational crime appears early in U.S. history as intellectual-property theft.

1790
President George Washington condones American copying of British industrial innovations, which British consider a crime.

1801
U.S. goes to war against Barbary pirates rather than continuing to pay ransom for kidnapped Americans.

1808
Congress outlaws international trafficking of slaves to the United States, but enforcement is lax.

1912
A New York gang makes today’s equivalent of $15 million smuggling foreign women for prostitution.

1920-1933 Alcohol prohibition spurs birth of major liquor smuggling and trafficking industry.

1920
Congress and the states adopt the 18th Amendment, prohibiting production, importation and sale of alcoholic beverages. It is repealed 13 years later.

1926
League of Nations adopts Slavery Convention to ban slavery in all forms.

1937
Marihuana Tax Act tightens restrictions on cannabis and other drugs.

1948
U.N. bans slavery and slave trade worldwide in Universal Declaration of Human Rights.


1971
President Richard M. Nixon declares “war on drugs,” saying drug use has become a “national emergency.”

1975
Convention on International Trade in Endangered Species goes into effect, banning international trade in species facing extinction and limiting trade in thousands of other threatened species. It has since been signed by 180 countries.

1987
“Laundering” of proceeds from booming drug smuggling and trafficking becomes huge industry.

1988
Federal money-laundering indictment against Luxembourg’s Bank of Credit and Commerce International ends in landmark $14 million fine, coinciding with Senate probe of bank’s involvement in asset management for dictators and terrorists.

1991-Present Soviet Union’s collapse and rise of Asian manufacturing spur global trade boom, soon to be facilitated by international digital interconnectedness.

1991
Soviet Union collapses.

1997
An estimated 400,000 women and children from the ex-Soviet bloc and Southeast Asia are trafficked into sex trade.

2000
White House report calls international crime a direct threat to national security. . . . U.N. adopts Trafficking in Persons Protocol, the first binding international treaty specifically criminalizing human trafficking.

2003
Seventy-seven countries sign on to Kimberly Process, a certification system designed to discourage “blood diamond” trade, which finances deadly African insurgencies and terrorist activities.

2009
Russian and Ukrainian hackers are indicted for stealing more than 160 million credit-card numbers from U.S. retailers’ computer systems. . . . U.N. Security Council creates a “contact group” focused on piracy of merchant vessels off Somalia.

2013
Secretary of State Hillary Rodham Clinton says booming transnational ivory trade threatens African elephants with extinction in 10 years.

2014
Justice Department announces dismantling of CryptoLocker, computer malware that encrypted victims’ data, forcing them to pay an estimated $100 million worldwide to recover it. . . . African leaders at White House summit plead for more U.S. aid against elephant and rhinoceros poachers. . . . Accused Russian hacker arrested in Maldives and flown to U.S. territory. . . . Russian-based hackers steal more than 1 billion pieces of website sign-on information.
Investigators Examine Ancient Money-Transfer Method

“Hawala” system was once suspected in 9/11 attacks.

In the aftermath of the Sept. 11, 2001, terrorist attacks on the United States, politicians, government officials and journalists struggled to understand a new enemy and how it worked. Searchers for the key to al Qaeda’s organizational techniques obeyed Washington wisdom: “Follow the money.”

The hunt led many to a money-transfer system that former Deputy Treasury Secretary Stuart Eizenstat called the pipeline for a “potentially significant portion of terrorist funds into or out of the U.S.,” which Secretary of State Colin Powell in 2002 called “shadowy,” and the Los Angeles Times called “a destination point for terrorists and heroin traffickers.”

That system had a name that sounded suitably mysterious to Western ears — “hawala.” As some experts pointed out, the system was devised centuries ago, in South Asia and the Middle East, to allow merchants and travelers to transmit money without risking robbery by carrying it with them. Similar systems were known in China as Fei-Ch’ien; in India, as Hundi; and in Thailand, as Phei Kwan.

But in the post-2001 atmosphere, hawalas, more than their East Asian counterparts, came to represent a key intersection between two sets of wrongdoers who needed to move money around the globe: transnational criminals and terrorists.

The fund-transfer system seemed ideal for both sets of people. As Rand Beers, then-assistant secretary of State for international narcotics and law enforcement, told a congressional subcommittee in 2002: “Terrorists and drug traffickers use similar means to conceal profits and fund-raising. They use informal transfer systems such as hawala.”

He added that they also used bulk cash smuggling and multiple bank accounts.

The hawala system, which came to be used by people settling debts and by immigrants sending money home, is user-friendly. A person wanting to send money gives the cash to a nearby money-transfer agent, a “hawaldar” who may also be a merchant or shopkeeper. He, in turn, sends a message — today, by phone, fax or email — to a counterpart hawaldar near the intended recipient, perhaps in another country, who then pays the recipient. At some point, hawaladars who have done business with each other settle accounts, if one has paid out more to customers than the other.

Because the system has no formal record-keeping requirements and is largely unregulated by governments, it seemed to pose obvious attractions for those who wanted their international transactions kept under the radar.

However, in 2004, the National Commission on Terrorist Attacks Upon the United States (the 9/11 Commission), reported that the attackers got their money in above-ground ways that were theoretically open to scrutiny by investigators. The attackers used wire transfers from Dubai, cash that some of them brought with them and ATM withdrawals in the United States from accounts in the United Arab Emirates. “Our investigation has uncovered no evidence that the 9/11 conspirators employed hawala as a means to move the money that funded the operation,” the commission concluded.

Osama bin Laden and his comrades did use hawalas in the 1990s when al Qaeda established itself in Afghanistan. But, as the commission noted, the banking system there was “antiquated and undeveloped.”

Inefficient for terrorists meant inefficient for everyone else as well, pointed out experts in the hawala system — also known to academics as informal funds transfer (IFT). “Over-regulation and coercive measures will not be effective,” Mo-
hammed El-Qorchi, a senior economist for the International Monetary Fund, argued in 2002, “because they might push IFT further underground... They will not, in isolation, succeed in reducing the attractiveness of the hawala system. As a matter of fact, as long as there are reasons for people to prefer such systems, they will continue to exist and even expand.”

Nikos Passas, a professor of criminal justice at Northeastern University in Boston, who has been researching the hawala system and its counterparts since the 1990s, acknowledged that it can be used by criminals and, in principle, by violent extremists. But he said in a 2005 report to the Dutch Ministry of Justice that he had “encountered no instance of terrorist finance in the U.S. or Europe” through these informal systems. “In South Asia and Africa, there are such instances,” he added, “but this is mostly because of the general use of [hawala-type systems] for all kinds of transfers and payments.”

Passas argued that the post-2001 focus on hawalas as potential channels for financing terrorism and crime could bring about a cure worse than the disease: a shift to more modern methods of transferring money that include gift cards, manipulation of invoices to hide transfers, use of brokerage accounts and credit and debit cards. “The problem is that even less is known about these systems’ vulnerabilities, he wrote. “Instead of increasing transparency of fund transfers and reducing crime, the authorities’ efforts may produce the opposite result.”

Still, officials remain wary of hawalas’ below-the-radar quality, even though the intense political and law enforcement focus on them has faded since the immediate post-9/11 period.

“I don’t think that the notion of hawalas or of informal financial services is in and of itself problematic,” Daniel Glaser, assistant Treasury secretary for terrorist financing and financial crimes, said at a panel discussion last year at the Center for Strategic and International Studies in Washington. “The problematic aspect of it is the non-transparent aspect of it, which then makes it subject to abuse by people who we wouldn’t want to have access to this financial system.”

— Peter Katel

6 Ibid., p. 171.
7 El-Qorchi, op. cit.

Western banks and institutions seemed untroubled, however, about doing business with the new breed of Russian enterprises, Handelman noted. In one of the early cases to grow out of such relationships, the Bank of New York in 2005 paid $38 million in fines and compensation to settle U.S. fraud and money laundering charges involving Russian funds. 62

Whatever level of cooperation existed between Russian and American businesses, it did not extend, at least from the American point of view, to U.S.-Russia cooperation on the growing number of cyber-crime cases centered in Russia. In 2001, the FBI sorted to luring two Russian hackers, Vasily Gorshkov and Alexey Ivanov, to the United States by inviting them to fake job interviews. The two had stolen credit card numbers and other financial data, trying to extort money from the data owners to retrieve the information, and using stolen credit card numbers for purchases using PayPal. Ivanov was sentenced to four years, Gorshkov to three. 63

Authorities also saw a sudden uptick in the number of people sold into the international sex industry, largely through networks operating from eastern and central Europe. A federal, multi-agency “International Crime Threat Assessment” concluded in 2000 that about 175,000 of the women and children brought into Europe and the United States in 1997 to serve in the sex trade were from former Soviet-bloc countries. 64 Even more women and children were trafficked from Southeast Asia, where an estimated 225,000 women, most under 18, were sold into the sex trade in 1997. 65

While no one disputes that sex-worker trafficking is a big industry, statistics on human trafficking of all kinds, including workers and child soldiers, for instance, are fuzzy. In 2006, the U.S. government estimated that 600,000 to 800,000 people were traf-
Criminals Want Corrupt States — But Good Roads, Too

Transnational crime requires reliable global connections and banking systems.

What more could an internationally minded criminal want than a country whose government is essentially nonexistent, where a crime boss is free to conduct his business without fear of policemen’s prying eyes?

A lot more, it turns out. Experts say crooks need the same basic government services — such as dependable electricity, decent roads and reliable Internet connections — as law-abiding citizens.

“The ideal locale for a transnational criminal organization is one which boasts many of the advantages of a strong, functioning state, such as modern infrastructure and communications, a banking system and enough rule of law to make life generally predictable,” writes Patrick Radden Keefe, a journalist and author specializing in international crime. 1

Fear of transnational organized crime surged during the post-Cold War period when the specter of “failed states” loomed as an international menace. In the 1990s, the breakdown of all government in Somalia, where a small-scale U.S. military intervention came to grief, seemed to represent the danger.

Failed states became a bigger concern after the Sept. 11, 2001, terrorist attacks in the United States, perpetrated by extremists hiding out in Taliban-controlled Afghanistan. As then-President George W. Bush’s 2002 national security strategy document declared: “America is now threatened less by conquering states than we are by failing ones.” 2

Although armed extremism led the list of fears, crime was not far behind. By 2006, the Bush administration was warning that “weak and impoverished states and ungoverned areas” were “susceptible to exploitation by terrorists, tyrants and international criminals.” 3

Since then, though, crime experts have been drawing distinctions between collapsed or nascent states and weak ones, and weak ones with good connections to the rest of the world and those lacking such links.

For instance, barely governed states are good spots for smugglers of drugs, guns and people, Stewart M. Patrick, now director of the International Institutions and Global Governance Program at the Council on Foreign Relations think tank, wrote in 2006. “Criminal groups have become adept at exploiting weak-state capacity in conflict zones, such as Colombia or the DRC [Democratic Republic of Congo], where political authority is contested or formal institutions have collapsed.” 4

But selling products, or laundering profits, requires communications and transportation networks and functioning banks, Patrick added. Thus, “South Africa and Nigeria have become magnets for transnational and domestic organized crime,” he wrote, because they have working infrastructures. “Togo has not.”

Nigeria, as it happens, is ranked as shakier, overall, than Togo in this year’s global ranking of “fragile states” by Foreign Policy magazine and the Fund for Peace, a think tank and advocacy organization favoring alternatives to armed conflict. But Nigeria comes out somewhat better than Togo in terms of the quality of its public services. 5

How comfortable transnational criminals feel in a country also depends on the extent to which they can forge corrupt ties to law enforcement officials and politicians. This has long been an issue in some Latin American countries, including the gang violence-plagued Central American nations — El Salvador, Honduras and Guatemala — the countries from which thousands of women and children have been seeking refuge by crossing the U.S. border in recent weeks. The region’s gangs crossed international borders. But the Government Accountability Office, the federal government’s accounting arm, said there were no data to support those numbers. 66

In any case, human trafficking had been proscribed in a U.N. General Assembly convention against transnational organized crime in 2000. The treaty defined transnational organized crime as “money-laundering, corruption, illicit trafficking in endangered species of wild flora and fauna, [and] offences against cultural heritage,” as well as human trafficking. It called on governments to recognize the links between international criminal activities and terrorism. 67

Terrorism and Crime

After the Sept. 11, 2001, terrorist attacks in the United States, governments and international organizations quickly switched their anti-transnational crime efforts to focus on criminals’ connections to terrorism.

Even though al Qaeda — the group behind the 9/11 attacks — had political and religious objectives, investigations showed that its logistical machinery had a structure that copied or even overlapped with transnational criminal networks. “Transnational organized crime and international terrorism increasingly share both organizational and operational characteristics and at times even partner with one another,” Thomas M. Sanderson, deputy director of the Center for Strategic and International Studies’ Transnational Threat Initiative, wrote in 2004. 68

In West Africa, Washington Post correspondent Farah had reported in November 2001 that al Qaeda was earning millions by buying diamonds from Sierra Leonian guerrillas at below-market prices and selling them in Europe. 69 Former CIA and military officials gave similar accounts to NBC News in 2005, but a State Department deputy assistant secretary said in 2006, “We have not been able to verify those reports.” 70
with help from some corrupt police — are deeply involved in transnational drug trafficking. 5

Trafficing relies on a thriving culture of political corruption. A former Guatemalan president, Alfonso Portillo, was sentenced in May to more than five years in a U.S. federal prison after pleading guilty to money laundering conspiracy (using U.S. banks). El Salvador’s attorney general announced in June that he was investigating Defense Minister David Munguia Payes for allegedly selling military weapons to gangs, an investigation the military had tried to block. And Honduras has earned a reputation from the State Department’s human rights investigators and others as a center of widespread government corruption. 7

The three countries are grouped with a predominantly African contingent as the world’s most fragile states, according to the Foreign Policy-Fund for Peace rankings. But they also have adequate communications and transportation networks. In fact, Honduran Foreign Minister Mireya Agueiro Corrales told NPR in July, the city in her country with the highest homicide rate is also its business capital. “If you go to San Pedro Sula . . . you see a prosperous city,” she said. “Its the business centers are. Many international brand names have their maquilas [assembly plants] there.” 8

For some analysts, the attention paid to the link between fragile states and transnational crime distracts from what they see as the bigger problem of transnational criminal behavior in major institutions in wealthy countries. Swiss bankers recently told The New York Times about traveling to the United States to recruit clients interested in shielding their assets from the Internal Revenue Service by using Switzerland’s fabled bank secrecy. Clients would use code names to call from pay phones, the bankers said. And the bankers’ laptops were set up to allow easy and instant erasing of data. 9

Author Keefe, in fact, argued that Switzerland and other tax havens had found a legal way around the issue of criminality. “In these jurisdictions, the rule of law manages to accommodate criminality,” he wrote. “The corruption is written into the law itself.”

— Peter Katel


However, international outrage over the trade in “blood diamonds” — diamonds trafficked to finance brutal civil wars in Liberia and Sierra Leone — led to creation in 2003 of the Kimberly Process, a system endorsed by major institutions in wealthy countries. Swiss bankers recently told The New York Times about traveling to the United States to recruit clients interested in shielding their assets from the Internal Revenue Service by using Switzerland’s fabled bank secrecy. Clients would use code names to call from pay phones, the bankers said. And the bankers’ laptops were set up to allow easy and instant erasing of data. 9

Author Keefe, in fact, argued that Switzerland and other tax havens had found a legal way around the issue of criminality. “In these jurisdictions, the rule of law manages to accommodate criminality,” he wrote. “The corruption is written into the law itself.”

— Peter Katel


www.cqresearcher.com  Aug. 29, 2014  711
CURRENT SITUATION

Arresting Russians?

The alleged leader of a hacker ring accused of reaping at least $2 million by stealing and reselling credit card information siphoned from U.S. business computer systems is awaiting trial in Seattle. 75

Roman V. Seleznev, 30, a Russian, was grabbed in July in the Maldives, a popular Indian Ocean tourist destination, apparently by U.S. law enforcement agents. He was flown to the U.S. Pacific island territory of Guam, where a judge ordered him transferred to Seattle. He had been indicted there in 2011 for alleged bank fraud, computer hacking, identity theft and related charges. He was indicted separately in Nevada in 2012 on similar charges, and faces up to 30 years in prison. 76

Declaring that Seleznev had been “kidnapped,” the Russian foreign ministry said, “We consider this the latest unfriendly move from Washington.” 77

The arrest came only five weeks after Justice Department officials fingered another Russian as head of the CryptoLocker ransom scheme. Then, news broke of the massive theft of more than 1 billion pieces of website sign-on data — a scheme also allegedly centered in Russia. 78

But as the circumstances of Seleznev’s capture had made clear, U.S. authorities cannot count on Russia arresting alleged cyber-crooks accused of crimes in the United States.

Meanwhile, as Russian aggression in Ukraine worsened relations between the two countries, Russia in August announced that former U.S. National Security Agency analyst Edward Snowden could stay another three years in Russia. Snowden has been in Russia since 2013, when he released classified documents that revealed massive, worldwide electronic surveillance by the NSA. The Justice Department has charged him with theft and violations of the Espionage Act. 79

But even before Snowden’s Russia stay was extended, the United States had been unable to get Russian help in major hacking cases. “The FBI has tried to get cooperation, the State Department has asked for help and nothing happens,” said Richard Clarke, who was special adviser for cybersecurity in the George W. Bush administration, “so law enforcement options are pretty negligible.” 80

U.S.-Russia discussions reportedly have centered on Russian and Ukrainian hackers that the Americans believe stole more than 160 million credit card numbers from Neiman Marcus and other retailers in the past seven years. A 2009 indictment in New Jersey against five of them was unsealed last year. 81 Two of the five were arrested at U.S. request while vacationing in the Netherlands in 2012. 82

Russian police did arrest two people in June — a teenage boy and a 23-year-old man — for allegedly mounting a small-scale “ransomware” scheme targeting Apple devices. 83

Russia is not the only country greeting U.S.-requested arrests coolly. In July, the United States had a former Venezuelan military intelligence official arrested in Aruba, a former Dutch colony in the Caribbean, 15 miles from the Venezuelan coast. U.S. indictments accused Hugo Carvajal of business ties to Colombian drug traffickers who shipped drugs to the United States via Venezuela. 84

The Venezuelan government said Carvajal had been “kidnapped.” The Dutch government, which handles matters for Aruba, decided to release Carvajal, who had a diplomatic passport. 85

Transnational crime is becoming a major issue in relations between African and Asian countries and the rest of the world, as the demand for smuggled animal parts from endangered and threatened species skyrockets. Much of the increased demand, especially for elephant ivory, is being spurred by an expanding middle class in China, where carved ivory is highly prized. 86

During a White House summit for leaders from 50 African countries in August, U.S. officials held high-level talks on how to combat the booming illegal regional trade in wildlife. “The elephants are killed in Tanzania,” Tanzanian President Jakaya Kikwete said at a panel discussion with several counterparts and U.S. Interior Secretary Sally Jewell. “But the consignment [of ivory] came from Kampala, Uganda, and moved through Mombasa [Kenya’s main port]. So there is definitely need for working together.” 87

The flourishing demand for ivory has devastated Africa’s elephant and rhinoceros populations. Rhino horns are erroneously believed to have medicinal powers and are popular for making dagger handles in Yemen. At least 1,000 rhinos were killed last year, as were 20,000 African elephants (and 35,000 the year before), according to former Deputy Interior Secretary David J. Hayes. 88 Ivory trafficking alone is threatening African forest elephants with extinction within 10 years, then-Secretary of State Hillary Clinton said last year. 89

The recent Washington discussions didn’t yield any definitive results. However, the U.S. government has been helping African governments beef up their wildlife protection programs via training, equipment and uniforms. Still, African leaders at the summit asked for more: helicopters in Namibia, night-vision goggles in Tanzania, infrared scanners in Togo and military support in Gabon. 90

Continued on p. 714
Is the transnational organized crime threat exaggerated?

Illicit cross-border activities, ranging from drug trafficking to money laundering, are often lumped under the frustratingly vague term “transnational organized crime.” In standard accounts, globetrotting criminals are increasingly sophisticated, organized and powerful. Governments, in contrast, are increasingly overwhelmed, outsmarted and outmaneuvered.

At first, this portrayal seems accurate. Transnational organized crime routinely defies borders, mocks laws and corrupts and sometimes violently challenges authorities. But by neglecting the past, we grossly distort our view of the present. Contrary to conventional wisdom, states have struggled with this challenge for centuries.

For the most part, transnational crime is a fuzzy new term for an old practice: smuggling. Although the speed, content, methods and organization of smuggling have varied greatly across time and place, the basic activity has not fundamentally changed. Even though the global reach of some smuggling groups has accelerated with the integration of the global economy, the image of an octopus-like network of crime syndicates that runs the underworld is fiction. Even the most sophisticated smuggling schemes tend to be defined more by fragmentation and loose, informal networks than by concentration and hierarchical organization. And no so-called drug cartel actually fits the definition of a cartel.

We are often told that the volume of organized transnational criminal activity has surged in recent decades. Of course, we have no idea how true those statistical claims are — they tend to be assertions and guesstimates rather than reliable and verifiable empirical evidence. Still, cross-border organized crime would simply have to keep pace with the illicit economy to grow at an impressive rate. But that does not necessarily mean it has increased as an overall percentage of global economic transactions. Indeed, the liberalization of trade in recent decades has sharply reduced incentives to engage in smuggling practices designed to evade taxes and tariffs, historically the backbone of illicit commerce.

The historical amnesia that too often afflicts the debate is nowhere more evident than in the depiction of our borders as increasingly overrun and overwhelmed — with the U.S.-Mexico line cited as a particularly glaring illustration. Yet, there was never a golden age of border security. Popular political calls to “regain control” of the border falsely imply that it was ever actually under control. And by historical standards, this border is in fact far more controlled than ever before.

The threat of transnational organized crime is all too real. That entangled threat of crime, corruption and terrorism now commands high-level attention because of (1) its endemic nature in many diverse regions of the world, especially in conflict regions; (2) the financial success and extensive influence of nonstate actors on governments, often by means of corruption; (3) the increasing economic role of criminals and terrorists both as employers and participants in the local and global economy; (4) the deleterious impact of crime and terrorism on communities and the political order; and (5) the incapacity of state and multinational organizations to successfully challenge transnational criminals and terrorists at the national, regional and global levels.

Contemporary illicit trade, a key component of the crime-terror relationship, is different from smuggling in previous millennia. Smuggling has existed since the dawn of history, when states began to raise revenues by imposing taxes on the movement of goods. Yet today’s illicit trade carried out by criminals, terrorists and corrupt officials affects millions, if not billions, of lives by doing irreversible damage to the planet and to existing communities, whether by eliminating species or forests or spreading contagious diseases or components of weapons of mass destruction.

The future will see new kinds of dirty entanglements and groups, such as the recently established relationships between the criminal gangs of Central America and the drug cartels. State-level conflicts do not necessarily deter business relations among nonstate actors. The desire to make money in the illicit economy transcends long-term hostilities, and in the future we will continue to see such strange, strategic partnerships and new and possibly now unimaginable entanglements. In the future, identities may be more blurred.

Dirty entanglements are unfortunately on a growth trajectory. The forces contributing to their rise — including increased populations without a future, growing income inequality, increased migration and displacement, poor governance, absence of the rule of law, continuing civil unrest and conflict and climate change — show no signs of abating.

In our highly interconnected world, diverse communities must work together to counter the scourge of corruption, crime and terrorism. Unfortunately, until now, without a whole-of-society perspective, we have made little progress globally against the dirty entanglements.
**Continued from p. 712**

“Well-armed, well-equipped and well-organized networks of criminals, and corrupt officials exploit porous borders and weak institutions,” Obama said in February as he introduced a White House strategy to enhance enforcement of anti-wildlife trafficking laws, including diplomatic initiatives to promote international cooperation. 91

The Justice Department also is targeting ivory and rhino horn dealers. In the past two months:

- Federal agents arrested a Canadian dealer on charges of smuggling more than $500,000 worth of both products from the United States;
- A Miami-based dealer pleaded guilty to brokering the sale of rhino horn;
- A Texas dealer pleaded guilty to conspiring to traffic horn and ivory; and
- Two men in separate cases were sentenced to 30 and 70 months, respectively, for involvement in major ivory and horn trafficking enterprises. 92

The 70-month sentence — the longest ever in a U.S. wildlife smuggling case — was imposed on a Chinese businessman convicted of heading a smuggling enterprise that shipped $4.5 million worth of African rhino horn and ivory from the United States to China. Zhifei Li admitted he smuggled 30 rhino horns that were used to make drinking cups. Folk tradition in China and other Asian countries holds that drinking from horn cups brings good health. 93

“If you are able to stop the market for ivory and rhino horns, definitely you will be able to save these species,” Tanzanian President Kikwete said at the White House summit. 94

**Outlook**

**Grim Future**

Crime expert Blum says international financial crimes seem likely to continue to be a growth industry. “Countries are not going to cooperate” against financial crooks, he says, citing the tendencies to prize national sovereignty over other countries’ criminal cases. “They’re going to sign all kinds of agreements and ignore them.”

And national differences on what crimes should be priorities seem likely to persist. For instance, the United Nations and several other countries define organ trafficking as illegal, but the international organ-brokering trade is prospering due to lax enforcement in many countries. 95

Still, shifting political winds offer occasional chances to crack down on some transnational crimes, says Passas of Northeastern University. “It becomes a lot easier when old friends fall out,” he says, citing the cases of former U.S. allies Panamanian strongman Noriega, Iraqi dictator Saddam Hussein, Libyan dictator Moammar Gadhafi and Egyptian dictator Hosni Mubarak. “They had all been involved for ages in corrupt financial misconduct,” Passas says. “We protected them, and then they were behind bars or killed.”

International politics can also complicate efforts to pressure other countries into cracking down on transnational crime. The State Department’s harsh evaluation this year of Thailand’s anti-human trafficking efforts led to that country’s inclusion on a list of 23 countries deemed not complying with minimum standards or making significant efforts to improve. Inclusion on the list means the U.S. president can order foreign aid withheld.

But last year, Obama waived sanctions against China, Russia and Uzbekistan while imposing full sanctions on Cuba, Iran and North Korea — which already have hostile relations with the United States and receive no aid. Partial sanctions were applied to Congo, Equatorial Guinea, Eritrea, Sudan, Syria and Zimbabwe, whose relations with the U.S. are tense.

As for Thailand and other countries in its category, “You certainly wouldn’t want to halt any assistance that’s going specifically to increasing the capacity of our partners in those governments to fight human trafficking or to help its victims,” Luis CdeBaca, the ambassador-at-large of the State Department’s office that monitors and combats human trafficking, said at a June briefing. 96

Moreover, says reporter Farah, in a post-Cold War world with two major superpowers no longer dominating international relations, crime-linked governments can more easily develop alliances without worrying about crackdowns from major powers.

Policymakers and law enforcement should focus on criminal-government ties, “especially in an age of resource constraint,” Farah says, urging a focus on crime that poses major threats rather than the relatively less dangerous variety. “You have to be somewhat realistic about what is always going to be out there — handbag counterfeiting, even fairly high-end narcotrafficking.”

Andreas of Brown University predicts that enforcement of laws against cyber-crime, which can victimize millions of people and businesses at a time, will become increasingly important. “The debate used to focus primarily on the drug issue,” he says. “Drugs are still quite prominent but don’t monopolize the debate like they used to.”

When it comes to cyber-crime, former Homeland Security official Baker argues that time is not on the criminals’ side. “It is harder and harder to hide your ID consistently in cyberspace,” he says. “It will be increasingly possible to ID these people.”

And all high-level hackers don’t enjoy ironclad protection against arrest, Baker says. They may be out of danger as long as they’re in Russia or elsewhere in the old Soviet bloc, but, “The old Soviet Union is not that much fun. They will travel, and they will get
busted. My hope is that we will eventually begin to weed out at least the less disciplined cyber-criminals.”

In addition, cyber-tools may become a bigger part of law-enforcement’s arsenal. Lallerstedt of Black Market Watch says an international agreement may soon require cigarette firms to use technology enabling them to “track and trace” every pack in order to deter smuggling, which costs governments an estimated $30 billion a year in lost cigarette tax revenue. 97

“I’m not saying it’s a magic bullet,” he says. “But the further ahead you look, the more monitoring and track-and-tracing options are available.”

Nevertheless, other transnational crime-watchers see much less reason for hope when looking at the big picture. Transnational criminals likely will continue reaping the benefits of inconsistent enforcement, efficient trade routes and ready markets for their goods, says Shelley of George Mason University.

“The future is grim,” she says. “At the rate we’re going: Goodbye rhino, goodbye elephant; welcome, trafficked people.”

Note


19 Moïsed Naim, Illicit: How Smugglers, Traffickers, and Copycats are Hijacking the Global Economy (2005), Kindle edition, no page number available.


23 Peter Andreas, Smuggler Nation: How Illicit Trade Made America (2013).


27 Ibid.


39 Peter Andreas, Smuggler Nation: How Illicit Trade Made America (2013).


32 Ibid.


38 Andreas, op. cit., pp. 50-56, 83-88.


41 Ibid.


43 Andreas, op. cit., pp. 65-73.

44 Ibid., pp. 262-265.

45 Ibid.

46 See Daniel Okrent, Last Call (2010).


49 See also Andreas, op. cit., pp. 274.

50 Cornelius Friesendorf, US Foreign Policy and the War on Drugs: Displacing the Cocaine and Heroin Industry (2007), p. 70.

51 Andreas, op. cit., pp. 275-308.


53 Blackman and Organized Crime: Blurring the Lines,” op. cit.


57 “Counterpiracy under International Law,” op. cit., p. 11.

58 Ibid.


65 Ibid.


About the Author

Peter Katel is a CQ Researcher contributing writer who previously reported on Haiti and Latin America for Time and Newsweek and covered the Southwest for newspapers in New Mexico. He has received several journalism awards, including the Bartolome Mitre Award for coverage of drug trafficking from the Inter-American Press Association. He holds an A.B. in university studies from the University of New Mexico. His recent reports include “Mexico’s Future” and “U.S. Global Engagement.”
FOR MORE INFORMATION

Black Market Watch, Geneva, Switzerland; www.blackmarketwatch.org. Think tank that is developing methods for gauging the magnitude of illicit trade.

Brookings Institution, 1775 Massachusetts Ave., N.W., Washington, DC 20036; 202-797-6000; www.brookings.edu/research/topics/crime. Think tank that studies, among other things, cyber-piracy and anti-money laundering strategies.


Institute for Security & Development Policy, Västra finnbodavägen 2, 131 30 Nacka, Sweden; 46 (0) 8-4105606; www.isdp.eu/issues/organized-crime.html. Stockholm-based nongovernmental research center that studies transnational crime.

Terrorism, Transnational Crime and Corruption Center, George Mason University, 3351 Fairfax Dr., MS3B1, Arlington, VA 22201; 703-993-9757; http://policytrac.gmu.edu. Think tank that publishes research on international crime.


---

74 For background, see Marcia Clemmitt, “Mortgage Crisis,” CQ Researcher, Nov. 2, 2007, pp. 913-936.
79 “-linked to Colombian Cocaine Traffickers,” “sive data breach case,” [Newark, N.J.], Ledger
Books


A Brown University political scientist concludes that transnational crime is far from a new phenomenon in the United States.


National security-oriented researchers analyze ties between international criminals and religious extremists.


The then-editor of Foreign Policy magazine argues that transnational criminals are ahead of governments and legitimate businesses in technology and trade expertise.


A professor of economics at Montreal's McGill University who has long specialized in black markets, smuggling and money laundering questions the ideas and information underlying anti-transnational crime enforcement.


A crime scholar examines links between transnational crime and terrorist networks.

Articles


A reporter for a computer security publication provides a detailed account of how hackers last year held computer users' data hostage.


An investigative reporter says European governments pay hefty sums for kidnapped citizens, thus financing terrorists.


Swiss bankers used techniques familiar to spies and crooks in recruiting clients interested in shielding their assets, a Europe-based correspondent reports.


One of the major street gangs terrorizing Central America closely coordinates its activities, including extortion, with its U.S. branch, according to a website specializing in Latin American crime analysis.


An associate chancellor at the University of California, Berkeley, argues that both criminals and the wealthy pressure governments in order to avoid taxes and regulation.


Technology reporters disclosed a security firm’s conclusion that Russian cyber-crooks had penetrated more than 400,000 websites to steal user names and passwords.

Reports and Studies


The world’s primary anti-transnational crime monitoring agency concludes (in a report formally still in draft form) that the borderless nature of global interconnectedness is hampering anti-cybercrime enforcement.


Four U.N. and nongovernmental organizations report on the devastating effects of ivory trafficking on Africa's rapidly dwindling elephant population.


The agency estimates total revenue from transnational crime, while acknowledging such statistics are problematic.


A Paris-based international economic monitoring organization says transnational crime poses grave dangers to unstable countries but argues that repressive counter-measures are unproductive.
Money Laundering


Portuguese prosecutors detained Ricardo Salgado, former chief executive of banking conglomerate Banco Espírito Santo, for allegedly laundering money in a scheme involving a Swiss wealth management company.


Federal authorities charged the CEO of an international bitcoin exchange with conspiracy to launder money for selling more than $1 million in bitcoins to the operator of an online black market currency exchange.


California is the top American target for international criminal networks, with more than $30 billion laundered through the state’s economy annually, according to a report by the California attorney general.

Ransomware


Russian authorities say two people from Moscow confessed to conducting ransomware attacks on iPhone, iPad and Mac users in Australia, New Zealand and the United States.


Hackers are organizing into crime syndicates and holding entire companies’ computers and information hostage with malware called “ransomware,” according to law enforcement officials.


Just days after authorities seized hacker computer networks that were using automated ransomware called CryptoLocker, researchers found that criminals were distributing another automated ransomware program — Cryptowall — to hackers.

Swiss Banking


More than 100 Swiss banks agreed to send client data to the U.S. Justice Department to help build cases against Americans failing to report to the IRS money they hold in Swiss accounts.


The Swiss bank Credit Suisse pleaded guilty and agreed to pay more than $2.5 billion after U.S. authorities charged it with helping Americans dodge taxes over several decades.

Trafficking


Prices and international demand for illicit items such as ivory, endangered fish and other goods only increase as countries regulate them more closely, according to a U.N. official.


An international crime syndicate involving Italian and eastern European networks is distributing stolen and counterfeit cancer drugs throughout Europe, according to Italian authorities.


International gun and drug traffickers are moving into the illegal wildlife trade due to lax enforcement and high profit potential compared with other illicit trades, according to an official from the Interpol international intelligence agency.

CITING CQ RESEARCHER

Sample formats for citing these reports in a bibliography include the ones listed below. Preferred styles and formats vary, so please check with your instructor or professor.

MLA STYLE


APA STYLE


CHICAGO STYLE


www.cqresearcher.com

Aug. 29, 2014  719
In-depth Reports on Issues in the News

Are you writing a paper?
Need backup for a debate?
Want to become an expert on an issue?

For 90 years, students have turned to *CQ Researcher* for in-depth reporting on issues in the news. Reports on a full range of political and social issues are now available. Following is a selection of recent reports:

**Civil Liberties**
- Abortion Debates, 3/14
- Voting Controversies, 2/14
- Whistleblowers, 1/14
- Religious Repression, 11/13
- Solitary Confinement, 9/12

**Crime/Law**
- Racial Profiling, 11/13
- Domestic Violence, 11/13
- Border Security, 9/13
- Gun Control, 3/13
- Improving Cybersecurity, 2/13

**Education**
- Paying College Athletes, 7/14
- Dropout Rate, 6/14
- School Discipline, 5/14
- Home Schooling, 3/14
- Homeless Students, 4/13

**Environment/Society**
- Future of Cars, 7/14
- Search for Life on New Planets, 6/14
- Digital Journalism, 5/14
- Future of TV, 4/14
- Media Violence, 2/14

**Health/Safety**
- Understanding Autism, 7/14
- Regulating Toxic Chemicals, 7/14
- Treating Addiction, 5/14
- Synthetic Biology, 4/14

**Politics/Economy**
- Assessing the Threat From al Qaeda, 6/14
- Regulating Lobbying, 6/14
- U.S. Global Engagement, 5/14
- Wealth and Inequality, 4/14
- China Today, 4/14
- Youth Unemployment, 3/14

**Upcoming Reports**
- Race and Education, 9/5/14
- Youth Suicide, 9/12/14
- E-Cigarettes, 9/19/14

**ACCESS**
*CQ Researcher* is available in print and online. For access, visit your library or www.cqresearcher.com.

**STAY CURRENT**
For notice of upcoming *CQ Researcher* reports or to learn more about *CQ Researcher* products, subscribe to the free email newsletters, *CQ Researcher Alert!* and *CQ Researcher News*: http://cqpress.com/newsletters.

**PURCHASE**
To purchase a *CQ Researcher* report in print or electronic format (PDF), visit www.cqpress.com or call 866-427-7737. Single reports start at $15. Bulk purchase discounts and electronic-rights licensing are also available.

**SUBSCRIBE**
Annual full-service *CQ Researcher* subscriptions—including 44 reports a year, monthly index updates, and a bound volume—start at $1,054. Add $25 for domestic postage.

*CQ Researcher Online* offers a backfile from 1991 and a number of tools to simplify research. For pricing information, call 800-818-7243 or 805-499-9774 or email librarysales@sagepub.com.

---

**CQ RESEARCHER PLUS ARCHIVE**

**Get Online Access to Vital Issues From 1923 to the Present**

*CQ Researcher Plus Archive* delivers fast, online access to every *CQ Researcher* report from 1991 to the present, PLUS lets you explore the complete archive of *Editorial Research Reports* from 1923-1990. Search and browse more than 3,800 in-depth reports.

Loaded with handy online features, *CQ Researcher Plus Archive* provides the trustworthy reporting and the advanced online functionality today’s researchers demand. The “Issue Tracker” feature provides quick links to past and present reports on the specific topics you need.

*Editorial Research Reports, the predecessor to *CQ Researcher*, provides the same expert, nonpartisan reporting on the vital issues that shaped our society.

For a free trial, visit: http://library.cqpress.com/static.php?page=freetrial

For pricing information, call 800-818-7243 or 805-499-9774 or e-mail librarysales@sagepub.com

*CQ Press • 2300 N Street, NW, Suite 800 • Washington, DC 20037*