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THE THREAT OF TRANSNATIONAL ORGANIZED CRIME

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What do we mean by “transnational organized crime”?

The term “organized crime” appears to have emerged in Chicago in 1919,¹ and the term retains undertones of the bootlegging gangs prevalent during that era. But the phenomenon of organized criminal activity far pre-dates this coinage and its manifestations have developed considerably since that time. Depending on the definition, offences that could be classed as organized crime have always been with us, but it was only recently that the nations of the world began to compare notes and collaborate on a collective response.

Although the development of multilateral agreements to control the transnational drug trade began a century ago, and a number of international instruments to address certain offences have been in existence for some time, there was not, until recently, an agreement on how transnational organized crime should be addressed. The rapid growth in the scale and scope of the problem in the post-Cold War world led to the passage of the *United Nations Convention against Transnational Organized Crime*, which came into effect in late 2003.

Remarkably, the Convention contains no precise definition of “transnational organized crime,” nor does it contain a list of the kinds of crimes that might fall under this heading. This is not a problem unique to the Convention – as noted above, there is no consensus definition of organized crime among either practitioners or theoreticians. A very wide range of criminal activities can be conducted transnationally in an organized fashion, and new forms of crime emerge constantly as global and local conditions change over time. In order to accommodate this complexity, a precise definition was omitted.

Instead, the Convention defines “organized criminal group.” This is needed because the Convention requires parties to criminalize participation in an organized criminal group.² But the purpose of the Convention is to “prevent and combat transnational organized crime”, not organized crime groups. Attacking the groups is just one tactic toward this end. Under the Convention, an “organized criminal group” is:

- a group of three or more persons that was not randomly formed;
- existing for a period of time;

- acting in concert with the aim of committing at least one crime punishable by at least four years incarceration;
- in order to obtain, directly or indirectly, a financial or other material benefit.

Since most “groups” of any sort contain three or more people working in concert and most exist for a period of time, the true defining characteristics of organized crime groups under the Convention are their profit-driven nature and the seriousness of the offences they commit.

The Convention covers only transnational crimes, but “transnational” is similarly cast broadly. It covers not only offences committed in more than one state, but also those that take place in one state but are planned or controlled in another. Also included are crimes in one state committed by groups that operate in more than one state, and crimes committed in one state that impact on other states.

The implied definition of “transnational organized crime” encompasses virtually all profit-motivated criminal activities with international implications. This broad definition takes account of the global complexity of the issue and allows cooperation on the widest possible range of common concerns, but leaves the exact subject matter rather vague. A better idea of the offences intended is provided in the attached Protocols, which relate to specific crimes: trafficking in persons, smuggling of migrants and firearms trafficking. These issues – which typically involve countries of origin, transit and destination – are areas where international cooperation is essential, since it is beyond the capacity of any single state to take comprehensive action to tackle the problem.

What do we know about it?

Unlike the “conventional” crimes (murder, rape, robbery et cetera), citizens rarely approach the police with complaints about organized crime. Many of the offences are “victimless”, in the sense that none of the parties participating has any interest in bringing the matter to the attention of the police. Even when there is a clear victim, this person may be reluctant to report for fear of reprisals. Further, to sell contraband or illicit services, criminal markets have to be open enough to attract customers, and to operate in this way suggests some degree of tolerance on behalf of the authorities. Corruption is often implicit, and members of the public may be left with the impression that complaints would be useless. Why inform the police about businesses operating in plain sight?

Consequently, most organized criminal activity comes to the attention of the police only when they take the pains to proactively investigate it. The ability to detect organized crime is contingent on a police force with the resources to take on this additional work, beyond the considerable case load involved in responding to citizen complaints. It also requires a police force with the skills to conduct long-term, often clandestine, investigations. And it requires a police force able to resist the corrupting influence of organized crime groups, whose resources may far exceed those of law enforcement. In many parts of the world, one or more of these elements is missing, so very little organized crime activity is registered.

Even in countries with plenty of capacity, the attention given to any given area of organized crime differs. The definitions of crime can also vary based on local values. As a result, the criminal justice statistics may reflect political priorities more than the state of the underlying problem.

Of all the areas under consideration, the most is known about drug trafficking. UNODC and concerned governments have conducted surveys of the major cultivation areas for coca bush and opium poppy for many years, and so estimates can be made with some precision as to how much cocaine and heroin are being produced. Many countries submit their seizure data to UNODC, and most of the main destination countries have survey data on the size of the drug-using population. Supply, demand and seizures can be triangulated to give a more reliable picture than any single data source could generate.

As a result, some trends can be tracked with considerable confidence. It is clear, for example, that long-term declining demand for cocaine in the United States and rapidly growing demand for it in Europe have reconfigured global drug markets. Between 2004 and 2008, West Africa suddenly became an important transit area for the drug in a way never seen before. Also novel is the growing trafficking of cocaine base products from the Plurinational State of Bolivia to neighbouring developing countries in the Southern Cone. These phenomena can be tracked through supply, demand and seizure statistics.

But there remain many gaps in our knowledge of the drug markets. Aggregated national seizure figures say very little about the nature of the trafficking: the who, what, where and how of smuggling drugs. For this, more research and detailed reports of individual seizures and arrests are needed. Under the drug Conventions, States parties are obligated

to send to UNODC details of specific seizures which are deemed important because they throw light on the sources from which drugs are obtained, the quantities involved, the methods employed by illicit traffickers or because they illustrate new trends.³ These details are consolidated in the UNODC Individual Seizures Database. Some countries go beyond the requirements of the Conventions and send complete details of all drug seizures above a threshold amount,⁴ but too few regularly comply with this obligation for these data to provide a comprehensive global picture.

Less is known about the scale and nature of human trafficking. UNODC recently spearheaded the UN.GIFT project, which, among other things, gathered data from 155 countries and territories on human trafficking victims and perpetrators.⁵ The amount and reliability of this information varied greatly between countries, however, and some important countries did not participate. Most importantly, it is difficult to say what share of the victims are detected and whether these people are representative of the market as a whole. It remains likely that law enforcement is just skimming the surface in many parts of the world. And, unfortunately, the UN.GIFT report was a one-off assessment; a mechanism for collecting these data on a regular basis is not yet available.

Transnational firearms trafficking presents even greater obstacles, since the Convention does not provide for international seizure data pooling.⁶ Even groups that have been involved in monitoring the small arms situation for years have trouble quantifying the extent of transnational trafficking. When large seizures are made, it is difficult to distinguish firearms that have been trafficked from those that have been legally imported and then diverted to the illicit market domestically.

For the emerging issues, the process of gathering information is at its earliest stages. Most information remains anecdotal. Some of these areas, however, touch on well-documented aspects of the licit economy, such as the smuggling of counterfeit goods and environmental resources. For example, groups like the European Customs Union publish statistics on their seizures of counterfeit products each year. Similarly, the International Chamber of Commerce keeps detailed records of piracy incidents, and the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) secretariat maintains a longstanding database on elephant ivory seizures.

How is the global situation changing?

Data from these sources can tell us something about developments in specific markets, but can anything sensible be said about trends in transnational organized crime generally? Much of the discussion to date has been conducted by law enforcement authorities, and, for reasons described above, law enforcement authorities have been deeply concerned about the nature of the groups involved in organized crime. There appears to be general consensus that both highly structured and loosely structured organizations are involved in transnational organized crime, and a number of authorities have argued that the former are losing out to the latter.

For example, in 2001, the European Commission claimed:

*... traditional hierarchical structures are being replaced by loose networks of criminals...*⁷

In 2004, a United Nations High-Level Panel found that:

*Organized crime is increasingly operating through fluid networks rather than more formal hierarchies. This form of organization provides criminals with diversity, flexibility, low visibility, and longevity.*⁸

In its 2006 Organized Crime Threat Assessment, Europol notes:

*OC groups are also becoming increasingly heterogeneous and dynamically organised in structural terms, moving towards loose networks rather than pyramidal monoliths.*⁹

According to the 2008 United States Department of Justice's Strategy to Combat International Organized Crime:

*International organized criminals have evolved toward loose network structures and away from traditional hierarchical structures.*¹⁰

If true, this represents a remarkable development across a range of highly disparate activities, from elephant poaching in Central Africa to child pornography rings in Eastern Europe. To understand this point better, it is necessary to look in some depth as to what are meant by "hierarchical structures" and "loose networks". "Hierarchical structures" seems to refer to the kind of groups that emerge in low-governance areas around the world, which have an institutional identity of their own and typically engage in a wide range of criminal

activities in the territories they control (i.e. "the mafia" and similar structures). The "loose networks" may be a reference to the mutable commercial ties between buyers and sellers of contraband in illicit markets around the world. Human beings seem to have a natural tendency to self-organize, and do so spontaneously when no higher authority provides order. People and activities that the state fails to regulate tend to fall under the control of local actors, who then vigorously defend this power from reacquisition by the state. Without the formal apparatus of government and access to the courts, local strong men are compelled to settle disputes with violence, or at least the credible threat of violence. These strong men, and the organizations they build, constitute the hierarchical groups most commonly associated with "organized crime" in the public imagination. Concrete examples include the various mafia organizations in Italy; the American ethnic mafias (Italian, Irish, Jewish, Polish and others); the Yakuza of Japan; the Triads of Hong Kong and the Tongs of Chinatowns worldwide; the *favela* gangs of Brazil; some street gangs in the United States, Central America and the Cape Flats of South Africa; and many others.

This form of organized crime grows in geographic areas and communities that the state has neglected, such as slums and new immigrant neighbourhoods. Socially excluded communities frequently respond to the lack of opportunity by creating their own sources of credit, job access and security. Unregulated, these schemes can devolve into loan sharking, labour racketeering and protection rackets. What began as the efforts of a marginalized community to protect and provide for itself can transform over time into a source of predation, threatening their own community and the society at large.

Similarly, where the state forbids goods and services for which there is nonetheless strong demand (for example, drugs, gambling and prostitution), self-appointed authorities can assume a regulatory role. Distribution centres are often located in marginal areas, and organized crime groups have strong incentives to keep these areas marginal. In order to secure the loyalty of the local population, they may offer a range of community services, providing support for people not sufficiently served by the state. But however beneficent they may appear locally, they remain violent criminals, enriching themselves through antisocial activities, and ultimately accountable only to themselves.

These territorial organized crime groups have been known by different names around the world, and

some of the currently active groups have existed for generations. As longstanding organizations, they have been essentially conservative, usually hierarchical, and often clannish. Their concerns have been chiefly local, providing for and exploiting their parent communities, while combating rival groups and the state. They tend to be engaged in multiple criminal activities in their territories, rather than specializing in a particular commodity or service.

The latest wave of globalization has proven to be both an opportunity and a challenge for these traditional organized crime groups. Although many have been involved in transnational trafficking for years, their rigid structure and focus on maintaining local authority has caused some to miss emerging global opportunities. This has led a number of authorities to argue that they are being “replaced” by smaller, more flexible groups, or “networks”. One popular notion is that networks are an adaptive response to law enforcement pressure on the more visible traditional hierarchies, essentially the “next generation” in organized crime. As traditional groups are weakened through repeated arrests and seizures, the narrative goes, market gaps are quickly filled by low-profile, agile groups. This alleged evolution in organized crime would be parallel to the development of “cell structure” in terrorism.

In fact, these networks are hardly groups at all, any more so than a widget manufacturer, a shipping company and a local widget retailer are a “group.” With no independent institutional identity, they are nothing more than commercial connections of varying durability between individuals, all responding to a common interest in making money. And rather than being an adaptive response of traditional groups, networks of market-driven individuals have probably always existed in transnational trafficking, but were less visible to law enforcement authorities focused on local crime problems.

When organized crime first rose in prominence, law enforcement authorities may have focused on an opponent that was organized similarly to themselves. This impression was bolstered by the discovery of the mob meeting at Apalachin, New York, in 1957, where some 70 senior gang members from around the country were present. This incident was taken as confirmation that the enemy was a kind of anti-government or criminal corporation, secretly coordinating the illicit activities of the nation. When the European authorities began looking for similar structures at about that time, they may have imported a perceptual bias from the United States.¹¹ Some commentators have even suggested that the

leadership of the traditional hierarchical groups were coordinating their activities in a vast global conspiracy.¹²

This portrayal of organized crime provided a kind of local rival army with which to war, and glossed over any structures that did not fit the model. The media fascination with the image of an underground empire continued to grow, and the fear this generated may have become a source of funding for further law enforcement against these groups. Only with growing scrutiny over time has this image begun to crumble, and what had appeared to be concerted action was, in many instances, determined to be the activity of a range of actors responding to market forces.

It is also possible that while transnational trafficking markets have grown, traditional turf-based activities may have declined in value, leading to a decline in the prominence of territorial groups. Turf-based groups have always profited from transnational trafficking, either by trafficking on their own behalf or by taxing sale of contraband in their areas. But a number of social changes and policy developments may have made conditions less favourable for old-school racketeering in the wealthier countries, including: the growth in easy access to credit; the decline in the influence of labour unions; policies favouring the integration of new immigrants and the decline in ethnically homogeneous neighbourhoods; the outsourcing of manufacturing to developing countries; containerized shipping; greater transparency in hiring practices and government contracting; controls on patronage politics in developed countries; the growth of private security companies; and liberalized policies on gambling and prostitution in many areas. With growing regulation at a national level, it may be that the criminal opportunities today are rather found in the unguarded interstices of the transnational arena.

Perhaps it is safest to say that the groups themselves have become less important than the markets with which they engage. For example, many types of groups have engaged in cocaine trafficking since the current boom began in the 1970s, with routes and conveyances shifting in response to enforcement efforts, internecine wars, trends in demand and the intricacies of geopolitics. Some of these groups were involved in a range of criminal activities, but far more were specialized in cocaine. Many of these groups came and went, but the cocaine continued to flow. The nature of these groups was, in the end, less significant than the issues of supply and demand.

Today, organized crime seems to be less a matter of a group of individuals who are involved in a range of illicit activities, and more a matter of a group of illicit activities in which some individuals and groups are presently involved. If these individuals are arrested and incarcerated, the activities continue, because the illicit market, and the incentives it generates, remain. Strategies aimed at the groups will not stop the illicit activities if the dynamics of the market remain unaddressed.

Law enforcement seems to have had trouble making the leap from focusing on groups to focusing on markets. Police officers, investigators and prosecutors are employed to make cases against individuals and groups of individuals in a particular jurisdiction. They lack the authority and the tools to take on an entire trafficking flow. As hammers, they seek nails, and tend to conceptualize organized crime as the activities of a collection of particular people, rather than a market with a dynamism of its own.¹³

This focus on building cases has been a real barrier to making progress against criminal markets because, in most countries, the combating of organized crime has been seen as almost exclusively a matter of law enforcement. The situation is further complicated because the problem is international while the tools are inherently national. Penal law is a matter of national legislation, which itself is the codification of long-standing cultural norms. Further, the criminal justice system is an essential mechanism for the maintenance of internal stability. As each breach of the criminal law represents a kind of governance failure, particularly when executed by an organized group, this activity is often regarded as a matter of national security. High-level corruption is often involved, which can be embarrassing for affected states. There are also legal issues involved in discussing the facts of pending cases and strategic reasons for silence on ongoing investigations.

In short, the subject matter is sensitive, making international information-sharing and multilateral interventions difficult. And, historically, crime has been primarily a local issue, so there has been little motivation to collaborate across borders on the topic. As the following section argues, this attitude is bound to change due to our growing appreciation of the threat posed by organized crime.

What factors influence the evolution of organized crime threats?

Transnational organized crime has evolved over time. Drug epidemics have come and gone and resurfaced in new environs. Human trafficking and

firearms flows have rapidly expanded in areas of conflict and subsided just as rapidly. The end of the Cold War, the decline in the number and severity of civil wars and the advance of globalization have all impacted on organized crime in unpredicted ways. In many instances, the inability of the global community to predict these trends has resulted in damage that could have been avoided with a little foresight.

Of course, predicting storms in the complex weather of global affairs is a matter of considerable complexity and uncertainty. But much can be learned by looking retrospectively at dynamics that have affected organized crime problems in the past. This report does not hazard much prognostication, but it does explore some of the risk factors that affect the way transnational organized crime evolves over time.

The enhanced movement of everything

A term with nearly as many meanings as users, “globalization” generally refers to the growing interconnectedness of the nations of the world following the global liberalization of trade at the end of the Cold War. Enhanced flow of goods was accompanied by enhanced flow of capital and services and outsourcing of manufacturing. Global tourism has expanded, facilitated by less restrictive visa regimes and cheaper airfares. The simultaneous expansion of the Internet and telecommunications has also led to globalization in a cultural sense. Today, a wide range of products and services can be accessed virtually anywhere in the world.

But the process of globalization has outpaced the growth of mechanisms for global governance, and this deficiency has produced just the sort of regulation vacuum in which transnational organized crime can thrive. People and goods can move more cheaply than ever before, and criminals and contraband can only be interdicted by national governments. Human and commercial flows are too intense to easily distinguish the licit from the illicit. Silos of sovereignty provide sanctuary to those who, however harmful their activities, are of use to the authorities in one country or another. The open seas, which constitute three quarters of the earth’s surface, remain essentially ungoverned.¹⁴ And the rapid pace of change itself provides opportunities for organized crime.

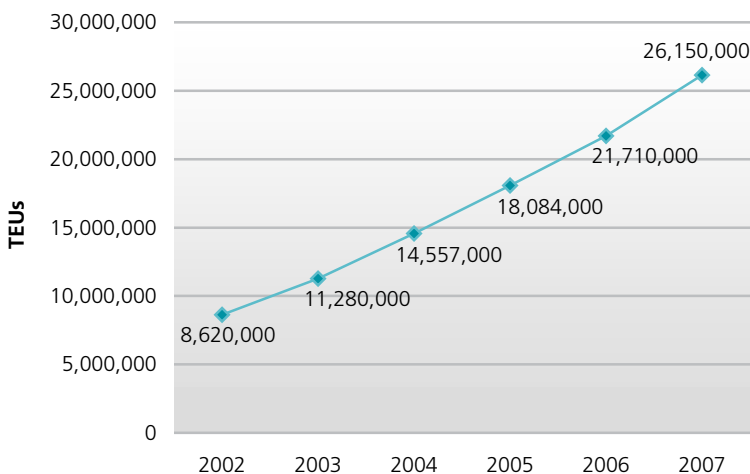
The ease with which people and goods travel between nations today confounds the regulatory attempts of any individual nation. The number of air passengers has grown at approximately 5% per

year over the past 30 years, enabled by the introduction of wide-body jumbo jets in the 1970s, as well as airline deregulation.¹⁵ In 2007, the world's airlines flew more than 29 million scheduled flights, transporting over 2.2 billion passengers between some 3,750 airports in cities across the world.¹⁶

As capacity has increased, prices have declined. In one US study to measure the effects of airline deregulation in the late 1970s, median fares were found to have declined by almost 40% between 1980 and 2005.¹⁷ It is now easy and affordable to travel to cities previously considered remote and inaccessible. The expansion of civil aviation provides mobility needed for both licit and illicit international activity.

Air transport prevails in the movement of people, but the bulk of goods are moved by sea. More than 90% of global trade is transported by sea, and these flows are rapidly expanding: in 1996, 332 million tons of goods were transported worldwide, and by 2007, this had increased to 828 million tons.¹⁸ Containerization has greatly accelerated the flow of goods through ports, and international commerce has become dependent on this new pace. As with air travel, for the first time, it has become economically feasible to move goods between countries formerly divided by insuperable space. More and more manufacturing is outsourced, increasing the importance of rapid mass movement of goods. Between 2002 and 2007, the amount of cargo moving through the top seven Chinese ports tripled.¹⁹ Very little of this cargo can be inspected.

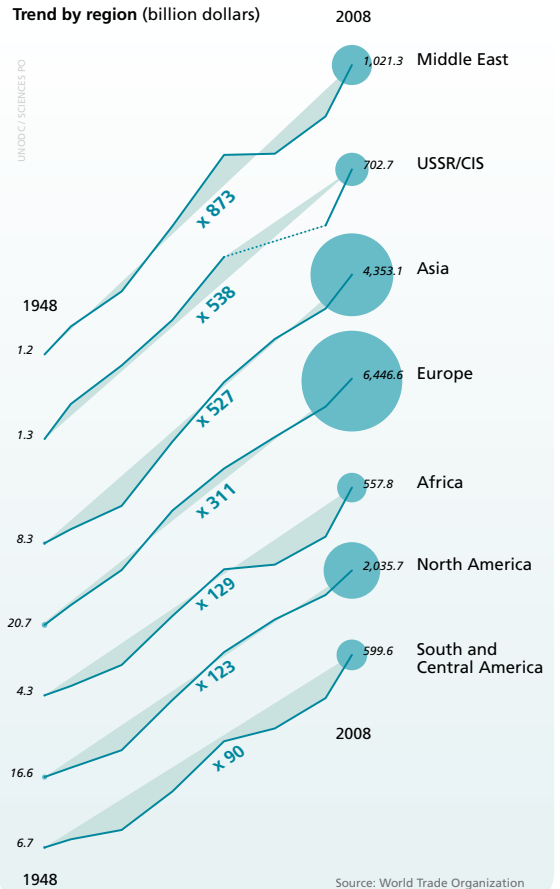
FIG. 19: NUMBER OF TWENTY-FOOT CONTAINER EQUIVALENT UNITS (TEU) MOVED THROUGH SHANGHAI PORT, 2002-2007



Source: American Association of Port Authorities *World Port Rankings*, various years

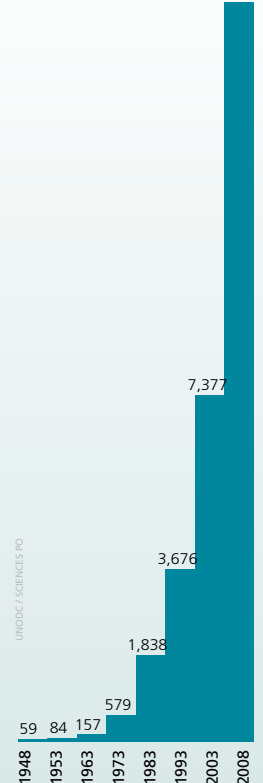
FIG. 20:

GROWTH IN INTERNATIONAL TRADE, 1948-2008



Source: World Trade Organization

Total (billion dollars)



Source: World Trade Organization

Even more rapid has been the expansion in the growth of global communications. The number of mobile phone subscribers increased from some 200 million in 1997 to 3.3 billion in 2007. The International Telecommunications Union estimates the 2008 number at 4.1 billion; a yearly increase of almost 25%. While telecommunication used to be tied to a location, it has now become as mobile as its users. Moreover, in December 1991, the internet was comprised of 10 websites; in July 2009, the number was close to 240 million.²⁰ It is impossible to police these information flows. Old forms of crime are supported by information technology, and new forms are emerging, unique to the virtual world.

An example of a traditional crime that has been revolutionized by global communications is child pornography. Far from being a new phenomenon, the internet has enabled cheap and instant global distribution to millions of customers from concealed origins, usually situated in countries where prosecution is unlikely. In the past, the images would have had to be processed, printed and the hard copies distributed via mail or retail outlets.

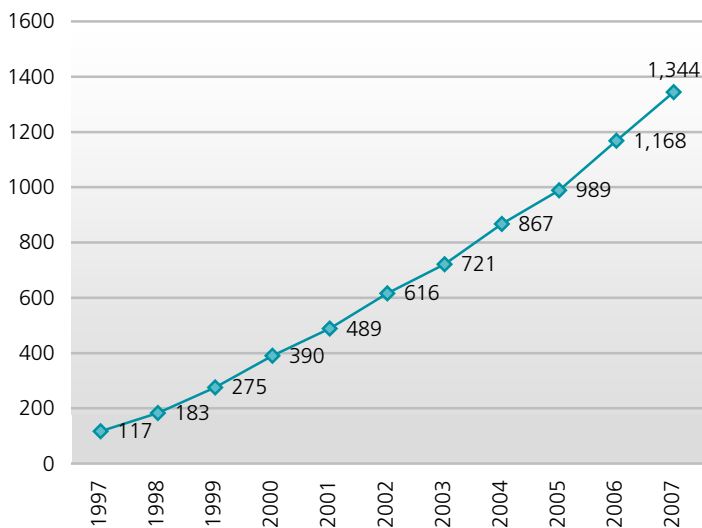
As with many other technology-related crimes, legislation (and by extension enforcement) is struggling to keep up. In a recent study of 187 countries worldwide, 93 countries were found to lack legislation that specifically addresses child pornography, and of the countries that do have such legislation, 24 do not provide for offences facilitated by computer technology.²¹ This means that the majority of the world's countries has not kept pace with developments in the world of crime.

Similarly, internet fraudsters and identity thieves can find victims in the wealthy countries while safely ensconced in nations with little power or will to stop them. The money they skim can easily be moved through dozens of national banking systems in a matter of minutes, making their transactions nearly impossible to trace. The high volume of legal funds circulating around the globe makes the movement of dirty money less conspicuous. Criminal cash is often moved to a different jurisdiction for placement in the legitimate financial system, investment in property or to pay for illicit commodities or services.²²

Grey and black markets

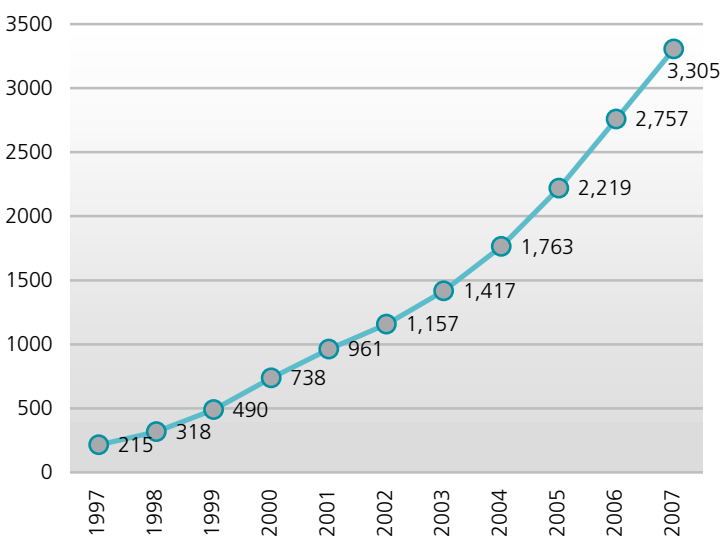
Most definitions of organized crime specify its profit-driven nature, and, like licit business, criminal enterprise is subject to the vagaries of the international economic climate. Certain economic circum-

FIG. 21: MILLIONS OF INTERNET USERS, 1997-2007



Source: International Telecommunications Union

FIG. 22: MILLIONS OF MOBILE PHONE SUBSCRIBERS, 1997-2007



Source: International Telecommunications Union

stances seem to favour the rapid development of organized crime, and the single most important global economic event of recent times – the fall of the Berlin Wall and the collapse of the former Soviet Union – continues to resound in the underworld. Aside from opening the way to globalization as discussed above, the rapid social changes it brought in a large number of countries generated precisely the sort of gaps in governance that typically spawn organized crime.

The rapid shift from being highly managed societies to free-market democracies created deep challenges for all the Warsaw Pact countries. As the massive edifice of communism collapsed, much was damaged by the rubble, and the dust obscured a great many crimes. The old rules of social and economic behaviour were suddenly suspended, while new norms had yet to take hold. Countries that had been dependent on the Soviet Union for direction and guidance were suddenly left to their own devices. Whole social sectors were thrown open, essentially unregulated.

Of course, organized crime had existed under communism, particularly in the form of consumer goods smuggling, which generally took place with the corrupt complicity of the security services. The groups involved were well positioned to take advantage of the confusion, and the lines between capitalism and looting could be hard to discern. Security in this period was essential, both to protect established interests and to repel petty interlopers.

Aside from creating new players, economic shifts can affect established ones, and organized crime can deeply impact the formal economy. For example, Japan's construction "bubble" in the 1980s brought new power to the Yakuza. Long employed by legitimate interests to resolve disputes outside Japan's legal system, the Yakuza were used in "land sharking" – forcing reluctant tenants and property holders to make room for the new developments. They also invested heavily in the boom, so that when the bubble burst, their interference with the collection process has been said to be a key cause of the recession that followed.²³

Organized criminals are subject not just to shifts in the licit economy, but to shifts in the illicit one as well. For example, Jamaica suffered for decades under organized violence linked to patronage politics, culminating in the 1980 elections. During the 1980s, large amounts of cocaine transited Jamaica en route to the crack markets of the north-eastern United States, where Jamaican nationals also dominated key markets. In the 1990s, the cocaine flows began to shift from the Caribbean to Central America, as radar surveillance prevented trafficking by air and as Mexican groups increasingly dominated cocaine importation and distribution in the US. As Jamaican groups lost this key source of income, it appears that many compensated by engaging in predatory crimes in their own communities, including extortion and robbery. Violence levels increased commensurably, giving the country one of the highest murder rates on earth in recent years.

It is still too early to discern the impact of the current economic crisis. It stands to reason that growing unemployment and declining licit opportunities would cause some to become less picky about their source of income or the origins of the products they consume. On the other hand, many of the items traded by organized crime are essentially luxury goods and services, not the staples of life, and tightening economic conditions would affect illicit markets as well.

For example, in order for human trafficking to be feasible, forced labour must be cheaper than voluntary labour, even after the additional costs of securing and retaining victims are factored in. Women trafficked for sexual exploitation have to compete with voluntary sex workers, whose numbers can be expected to swell if economic conditions worsen. The growth in supply is likely to cause a drop in price, chasing what is likely to be a declining demand from a cash-strapped male population. The net result would be smaller incentives for trafficking. Similarly, sweatshop labour would have to be cheaper to maintain than a voluntary workforce, in a market where demand for manufactured products is likely to decline.

Young, urban, foreign and poor

Crime and violence are strongly associated with the increasing number of young people, particularly in developing countries. Almost 85% of the world's youth currently live in developing countries, and by 2025, this figure will grow to 89.5%.²⁴ And while 0.9 people per 100,000 die each day in youth homicides in high income countries, in Africa, the figure is 17.6 and in Latin America, 36.4. Moreover, for every fatality, there are from 20 to 40 victims of non-fatal youth violence. These marginalized young people provide foot soldiers to organized crime.

In addition, a growing share of these young people are being raised in cities, without the support and normative infrastructure of the traditional rural lifestyle. More than half of humanity is already living in cities; a share that is projected to reach 60% within two decades, with most of the growth taking place in developing countries. Since most developing countries lack the capacity to accommodate this rapid inflow, many will be brought up in slums, where quality of life is low and competition for scarce resources is fierce. Urban lifestyles require cash; which is difficult to access legally in countries with high unemployment levels. As a result, crime rates are higher in cities, especially in slums, where drug addiction and gang activity pro-

liferate.²⁵ It is these areas that give rise and shelter to a variety of organized crime activities. Urban violence and crime are on the rise in developing countries; from 1980 to 2000, recorded crime rates increased by almost one third. In developing countries, an estimated 60% of all urban residents have been victims of crime over the past five years, rising to 70% in Latin America and Africa.²⁶

Difficult conditions at home can provide a substantial “push” to emigration. But while global capital flows freely, labour still does not. Market demand for workers draws them in from around the globe, oblivious to the immigration code. This creates demand for a service to overcome the legal barriers, precisely the kind of service in which organized crime specializes. The result is migrant smuggling and the many abuses that accompany it.

There are more than 200 million international

migrants in the world today, which is two and a half times the number in 1965, and a significant share of these migrants are undocumented. Human mobility has become a life choice driven by disparities in demography, income and employment opportunities across and within regions.²⁷ And since this migration is essential to both developing and developed countries, it will be extremely difficult to stop through law enforcement. Demographic trends show that the working age population in developed countries is expected to decline by 23% by 2050 without immigration.²⁸ The working age population of Africa, on the other hand, is expected to almost triple, from 408 million in 2005 to 1.12 billion in 2050.²⁹

Most irregular migrants resort to the assistance of profit-seeking smugglers.³⁰ For example, Dutch customs data on asylum seekers who arrived in the

FIG. 23: MAIN MIGRATION FLOWS, 2005

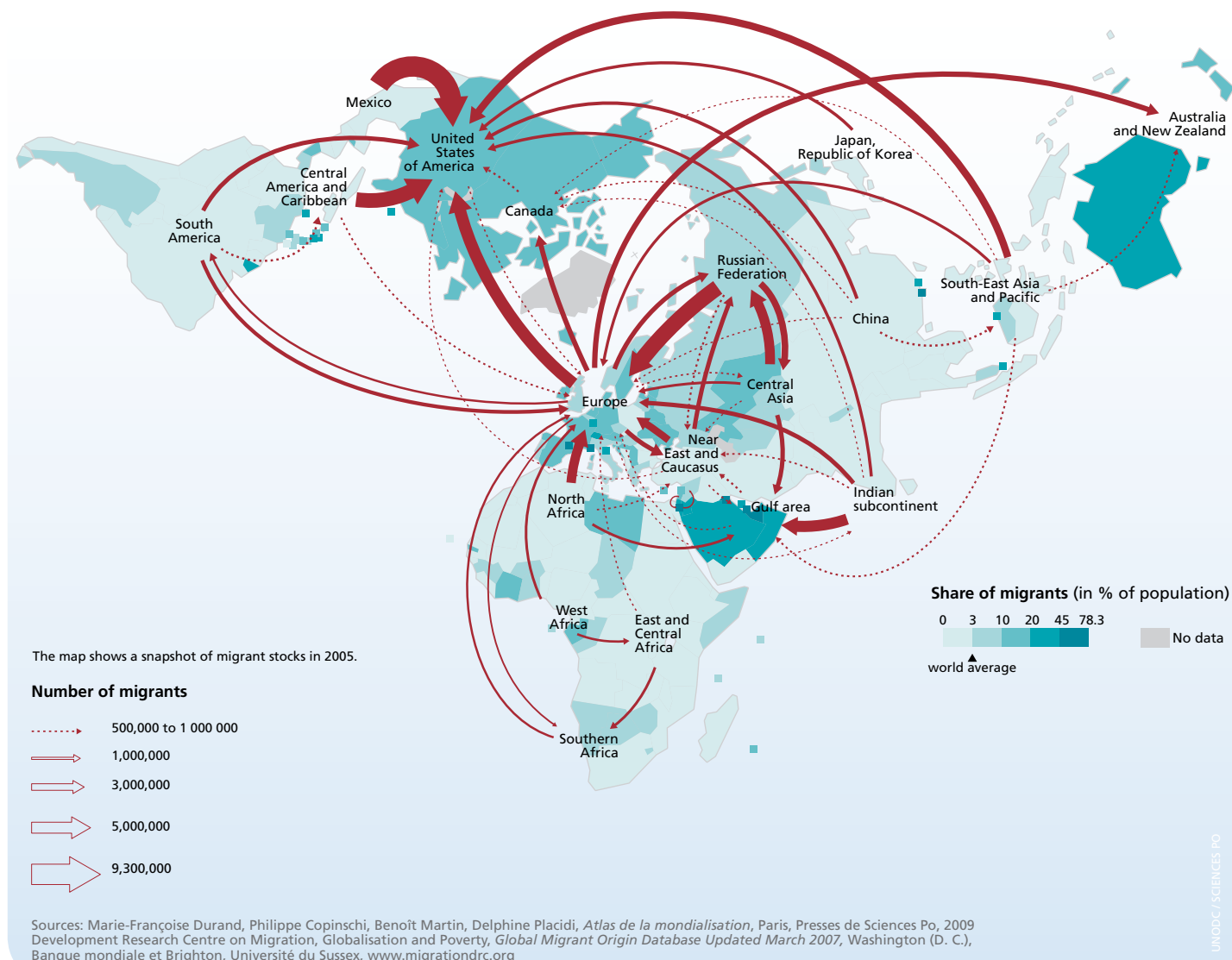
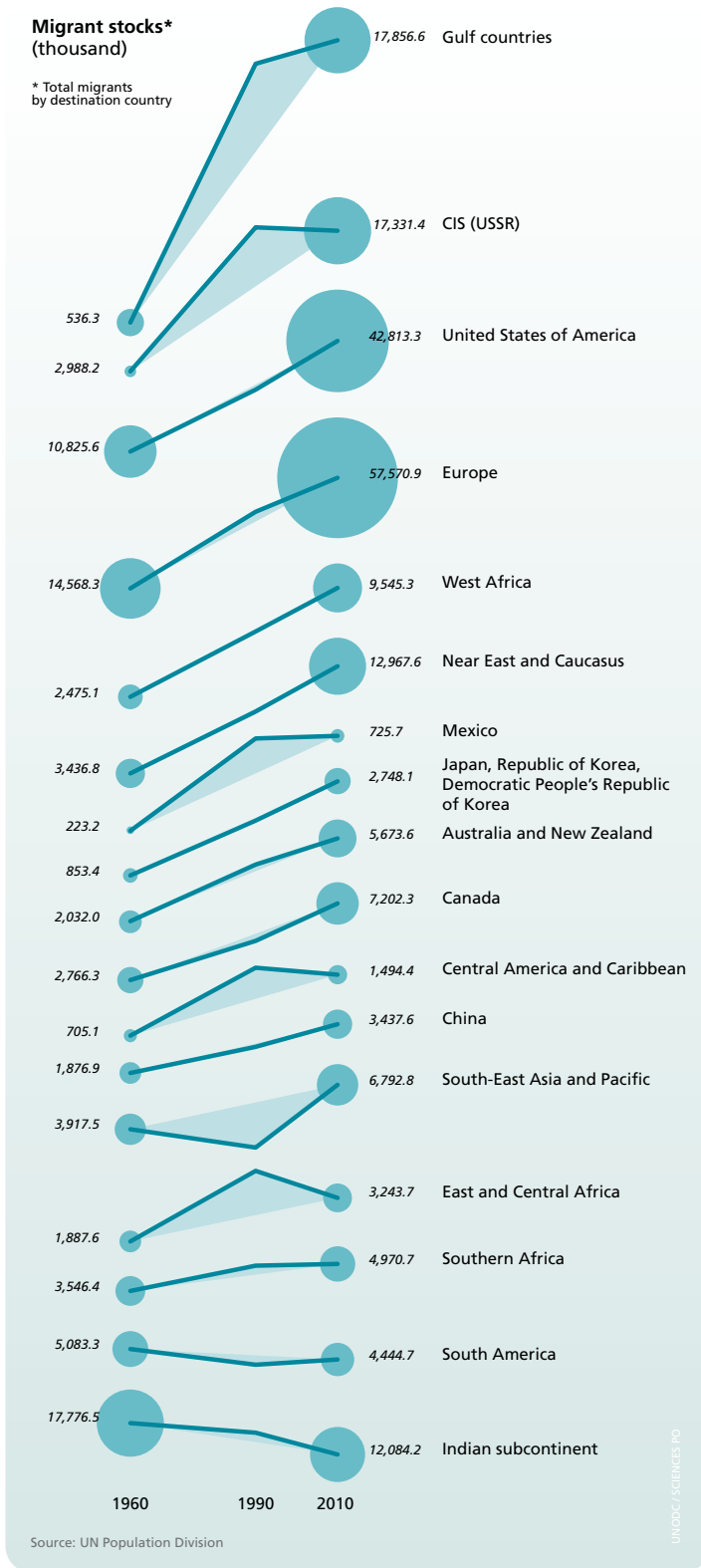


FIG. 24:

MIGRANT STOCK EVOLUTION BY COUNTRY/REGION, 1960-2010



Netherlands in 2000 showed that 97% had received assistance from smugglers. Migrant smuggling is already a major revenue-generating transnational criminal activity, and given that illegal immigration is likely to increase, so will the size of the illicit

economy related to migrant smuggling and the number of criminals involved in the trade.

Migration, be it legal or illegal, may also broaden the reach of existing criminal networks. Although most migrants, including many of those who enter their destination country illegally, are generally law-abiding citizens, among them, there are inevitably affiliates of a variety of criminal networks. These people bring with them their crime-related skills and knowledge as well as their criminal contacts. Chinese, Nigerian, Italian and Russian groups are well-known examples of network proliferation through migration.

Revolutionaries or criminals?

Another source of rapid change and governance gaps is conflict. Most wars today are civil wars, usually fought by dissident groups and regional secessionists. In the post-Cold War world, these groups may be compelled to find funding through illicit activities. If they control territory, they can use this land to facilitate transnational trafficking. The money this brings in can become an end in itself. After some time, it may be difficult to differentiate political dissidents and criminal groups. This issue is discussed further in this report.

Why should we be concerned?

The threat posed by transnational organized crime is often misunderstood. There is a tendency to oversimplify, and, in particular, to equate the damage done by organized crime with the amount of violence associated with the market. But the threat posed is much deeper than a body count, tragic though this loss of life may be.

Many forms of organized crime do involve violence or the threat of violence. For example, to subjugate human trafficking victims, violence or the credible threat of violence is almost always present. In other markets, violence is needed to ensure contract compliance and to resolve disputes. Professional criminals may seek to minimize the extent of violence to ensure the smooth flow of profits and to avoid unwanted attention, but few would be able to conduct their business without recourse to the gun.

Relying on homicide figures as a proxy for the threat would be a big mistake, however, because some of the areas most afflicted by organized crime have very low violence levels, just as some authoritarian societies have very low crime rates. Typically, the better organized the crime, the less violence associated with it. The groups concerned have paid off

the appropriate officials, resolved intra- and inter-group tensions, and terrified the public to the extent that very little additional violence is required. As noted above, crime groups sometimes provide social services and support that the state does not, winning them popular support. If law enforcement is ever roused into action, the violence associated with this disruption of the criminal equilibrium can even fuel calls for enforcement to desist.

So, the real threat of organized crime cannot be reduced to the violence associated with criminal markets. Rather, it is best described under two headings:

- Direct impacts, which are essentially the reasons each criminal activity was prohibited in the first place;
- Indirect impacts, in particular the ways organized crime as a category undermines the state and legitimate commercial activity.

Direct impact

It is easy to lose sight of the reasons why organized criminal activities were prohibited in the first place. For some markets, like drug trafficking or migrant smuggling, most of the parties are willing participants. Many die as a result of their choices, but in a world increasingly governed by the principle of *let the buyer beware*, it is possible to absolve ourselves of responsibility for this loss. Unless we happen to know one of the victims, these personal costs are not tallied as social costs, and so the impact of crime becomes obscured.

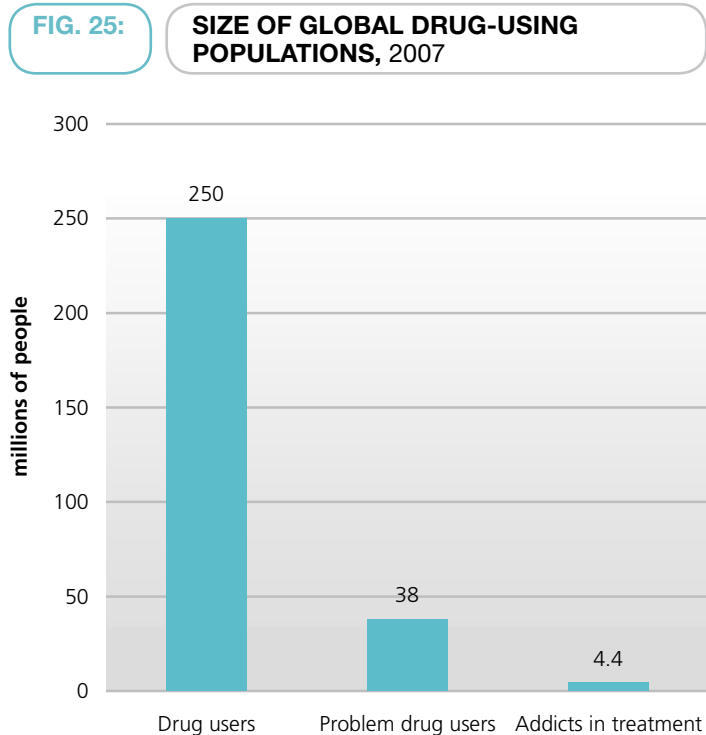
In addition, the impact of organized crime is often realised in a different country than that where the profits accrue. Crimes may appear victimless when the victims are located on the other end of the world, and criminals who bring in money by exporting problems may receive popular support. For example, people residing in the under-governed areas of countries that produce drugs may see no problem with working for the trafficking groups, who may provide more security and support than the state. The drug addicts are located overseas, and so do not form part of the calculus of local actors. Similarly, those who use drugs in developed countries rarely consider the way that their consumption may be affecting violence and stability in producer and transit countries. Only when viewed globally are the net costs of trafficking apparent, and only national governments, not their organized crime substitutes, have any incentive to look globally.

Certain drugs are prohibited because they cause addiction and lead to serious physical and mental

health problems. The impact inevitably extends beyond the users, affecting their families, communities and the society at large. The costs of drug-related accidents, lost productivity, child neglect and abuse, psychological damage and the like are tremendously difficult to tally. It is a challenge to simply estimate the number of drug addicts in the world. Addicts in developing countries often go uncounted, while some of those in richer nations handle the matter privately.

Based on the available data, it is possible to estimate that between 172 million and 250 million adults used illicit drugs in 2007. On the upper end, this is more than the population of any but the three largest nations in the world. Perhaps 18 to 38 million could be classed as “problem drug users”. On the upper end, this is more than the populations of Switzerland, Bulgaria, Honduras, Israel, and Hong Kong, China combined. We also know that some 4.4 million people are currently in drug treatment worldwide, equivalent to the entire population of Ireland. Studies of people arrested for a range of crimes in the United States, Australia, and elsewhere have found that most test positive for drug use. In a 2008 study in the United States, 87% of people arrested in 10 major cities tested positive for drugs.³¹

Few would dispute the seriousness of the crime of human trafficking, but far less is known about its extent. Based on data from 111 countries and



Source: World Drug Report

territories (not including China or India), 21,400 victims were detected world-wide in 2006. These are just the victims detected, and it is estimated that only one in 20 or one in 30 victims are ever recognised. If true, this represents an immense pool of human suffering. In addition, there are as many as a million images of child pornography currently circulating on the Internet, each of which represents an act of human trafficking and a crime against the most basic moral principles. The impact of these crimes is impossible to quantify.

Many mistakenly believe the primary impact of product counterfeiting is loss of revenues to rights holders, but the crime has far more serious implications. Manufacturers of counterfeits have little incentive to adhere to safety regulations, since they have no reputation to protect or liability to fear. Substandard or outright hazardous products, from toys to auto break pads, pose a serious public safety threat. Of greatest concern is counterfeit medication, which, in addition to hastening the death of the many who go untreated, can contribute to the generation of drug-resistant strains of the most deadly pathogens.

The profits generated through natural resource smuggling are driving whole ecosystems to the brink of extinction. The true costs of this crime are impossible to reduce to a dollar figure – a world less diverse, the end of whole life forms, a shortsighted error impossible to correct.

Indirect impact

Aside from the damages directly caused by specific forms of crime, there is one that is common to all: the insidious erosion of state control. Traditional organized crime groups displace state authority, by filling the governance niches neglected by the official structures and by co-opting whatever vestigial state agents remain. In other words, organized crime groups gradually undermine the authority and the health of the official government.

Why is this a problem? Insofar as the official state structures provide value, this value is threatened by the growth of parallel structures. Organized crime groups are inherently unaccountable, they are not subject to democratic controls, and their chief aim is the enrichment of their membership, not the advancement of society. Where they are predominant, development can become impossible, because any contract that is not to the advantage of the dominant groups will be nullified. In areas where the official state structures are particularly bad, organized crime groups may appear relatively attrac-

tive. But the solution in these cases is to improve governance, not to cede authority to those who enrich themselves through antisocial activities.

Since the network groups do not seek to wrest territory from state control, their impact is even more insidious, but can be just as important. Most transnational trafficking requires smuggling, and the surest means of smuggling is through corruption. In poorer states, the corruption can go straight to the top, and the highest authorities can quickly become manipulated by traffickers. If opposed, these groups can engineer the removal of problematic officials, up to and including the chief executive. If the state is uncooperative, it can support opposition groups or insurgents. Under these circumstances, the rational choice may be to give in to the traffickers. This is a situation the international community cannot afford to permit.