

## Chapter 3. Transnational Organized Crime in an Era of Accelerating Change

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**T**ransnational organized crime is evolving in ways that challenge our understanding of the criminal enterprise. Globalization encourages regionally and ethnically based criminal groups to expand into international markets, provides them with access to global transportation modes and finance, and forces them to adopt more flexible organizational structures. The revolution in computer and telecommunications technologies accelerates these trends, opens new criminal markets, often at vastly larger scale, and offers greater options for collaboration among criminal groups. In addition, criminal organizations adjust their methods of operation in the face of decades of global anti-crime efforts; this is most evident with regard to drug trafficking organizations. This evolution of TOC presents challenges, as well as opportunities, for international efforts to reduce the threat posed by transnational criminal activities.

### **The Nature of the Transnational Organized Crime Threat**

TCOs contribute to instability and undermine governance through the use of violence, intimidation, and corruption to protect and promote their criminal enterprises. Criminal groups contending for control over access to the U.S. illicit drug market are fueling high levels of homicides and corruption in Mexico and Central America. An increase in cocaine shipments from South America have resulted in high levels of corruption and instability in West Africa.<sup>1</sup> Criminal impunity and endemic corruption contribute to

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disenfranchisement and sense of grievance, and this is fueling popular uprisings in the Middle East.<sup>2</sup>

Criminal activity also provides a source of revenue for insurgencies and other non-state actors, eroding state control and at times generating threats with a global reach. This phenomenon affects many regions: the Revolutionary Armed Forces of Colombia, Sendero Luminoso in Peru, the Taliban in Afghanistan, and the Shan State in Burma are examples of insurgencies that have benefited from their access to an indigenous drug trade. Insurgents in the Congo and Nigeria fund themselves in part through the criminal exploitation of natural resources.<sup>3</sup>

Lastly, organized criminal activity also undermines public health, safety, and economic wellbeing. Organized crime undermines local economies by siphoning off raw materials and intellectual property, disrupts supply chains by introducing counterfeit materials, and erodes trust in the modern financial and commercial systems by fraudulently exploiting those systems. The global scale of the economic impact of illicit activity is inherently difficult to measure, but some studies estimate that the value of illicit trade is between \$1 and \$2 trillion dollars annually.<sup>4</sup>

Criminal threats are being perpetrated by an increasingly diverse set of actors, whose organizational structures and tactics evolve in response to three factors: globalization, technological advances in telecommunications and computers, and global anti-crime efforts.

### **Globalization**

Trade liberalization has vastly increased global commerce. As a result of the opening of borders through trade liberalization, criminal organizations have access to a globally interconnected transportation network. Criminals are able to hide their illicit goods within an ever-increasing amount of licit commerce. Between 1980 and 2005, world container traffic increased tenfold, from 39 million twenty-foot equivalent units (TEU) to 395 million TEU.<sup>5</sup> In addition, the rise of global supply chains and just-in-time delivery of goods and services has greatly increased the pressure to keep commerce moving through ports of entry, decreasing the amount of time for inspecting goods. Commercial trade more than doubled following the passage of the North American Free Trade Agreement; according to the U.S. Customs and Border

Protection, nearly 5 million truck crossings were made from Mexico into the United States in 2007.<sup>6</sup>

The liberalization of global finance has also provided criminals with a vastly expanded mechanism to launder their ill-gotten gains. The UN estimates the amount of illicit funds available for money laundering would have been approximately 1 percent of global GDP in 2009, or U.S. \$580 billion.<sup>7</sup> The global flow of illicit funds has ensnared large, international financial institutions, such as the Hong Kong and Shanghai Banking Corporation (HSBC), which agreed to pay a U.S. \$1.9 billion fine as a result of a U.S. investigation that revealed money laundering in the bank's Mexico unit.<sup>8</sup>

The growing middle class in developing countries has fueled new markets for a variety of illicit goods such as drugs and counterfeit products, and they provide targets for a variety of fraudulent schemes. At the same time, the rise of developing markets and growing income inequality has prompted an increase in populations looking to migrate, providing a growing market for human smugglers and traffickers. The UN estimates that there were 232 million migrants in 2013, up from 154 million in 1990; most of these migrants originated in developing countries seeking to migrate to more developed economies.<sup>9</sup>

### **Technological advances**

As the global economy has moved onto the Internet thanks to the computer and telecommunications revolutions, so too have criminal groups. The digital economy offers fraudsters and identity thieves access to millions of potential victims, as well as the means to market and sell stolen digital goods. The digitization of intellectual property—such as movies, music, software, and industrial design—has generated a market for goods that sophisticated cyber criminals appropriate and sell. The digitization and storage of personal identifying information has also created a burgeoning online criminal market. The Internet has globalized fraudulent schemes, giving fraudsters access to millions of potential victims. One recent estimate suggests the cost of cyber-crime and cyber espionage somewhere between U.S. \$70 billion and \$140 billion annually; however the economic harm may be greater if one factors in such multiplier effects as the loss of reputation and competitiveness to a company's bottom-line.<sup>10</sup>

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Criminals have also used the Internet to market illicit goods and services. Online forums provide markets for cybercrime tools such as malware and ransom-ware, as well as for skilled hackers, who can be hired for criminal services. As one Europol study notes, “The crime-as-a-service business model drives the digital underground economy by providing a wide range of commercial services that facilitate almost any type of cybercrime ... This has facilitated a move by traditional organized crime groups ... into cybercrime areas.”<sup>11</sup> The Internet has also created a new avenue for the sale of goods such as illicit drugs, counterfeit goods, pirated intellectual property, and trafficked persons. The online marketplace ‘Silk Road,’ for example, offered buyers access to drugs, stolen identification cards, and hacking tools, among other illicit products.<sup>12</sup>

The Internet and mobile communications are also transforming how criminal actors organize themselves, fostering the development of looser organizational structures. Criminal specialists can collaborate, execute sophisticated crimes with a global reach, and disperse without physical contact. Often these criminals are working from safe havens to affect crimes in more developed and risky countries often on the other side of the globe. Moreover, the Internet has to some degree lowered the barriers to entry for aspiring criminals. They can purchase cyber tools, hire skilled specialists, and access goods and markets without having to fund and support a large organization.

### **Responding to global law enforcement efforts**

Global anti-crime efforts have also played an important role in ongoing evolution of criminal enterprises. This is most evident when we examine the criminal organizations engaged in the global drug trade. In Mexico, for example, drug trafficking organizations have adopted flatter and more distributed organizations models after eight years of intense government pressure. In Colombia, over 20 years of antidrug efforts that spanned the hemisphere have reduced the threat from the once powerful Medellin and Cali Cartels, who have been replaced by smaller, more decentralized criminal bands that have outsourced international transportation and distribution.<sup>13</sup>

## **Environmental factors have prompted a change to the nature of criminal groups**

Criminal organizations are evolving from tightly knit, ethnically, and regionally based groups to looser, more dispersed networks of criminal specialists. The fast movement of people, goods, and information stimulated by globalization and technology has encouraged transnational criminal groups to decentralize and outsource. This has led to the rise of criminal service providers such as financiers, hackers, document forgers, and transportation groups. These service providers are typically not aligned with a single organization, but perform services for a variety of illicit actors. As noted in the previous section, the environmental factors are generating a variety of organizational models: drug cartels in Mexico that are federations of smaller organizations, hub and spoke networks, and human trafficking networks that operate as chained networks of specialists (see p. 42).

These hierarchical, regionally based organized crime groups are not completely fading from the scene. In fact, the organized criminal groups that most threaten the stability in many weakly governed countries exhibit such structures. The drug trade and the criminal exploitation of natural resources in particular continue to be characterized by such groups, primarily because the manufacture and distribution of most illicit drugs requires control over territory. These groups must resort to high levels of violence, intimidation, and corruption to sustain their operations. Territorial-based criminal activity also offers the greatest opportunity for the intersection between organized groups and insurgents or other non-state actors, as previously noted in such countries as Colombia, Peru, Nigeria, and the Central African Republic.

That said, many observers believe that territorial control has become less important to modern criminal organizations than access to illicit goods, services, and markets. As a 2010 UN report on global organized crime states:

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.<sup>14</sup>

### **Human Trafficking Networks Composed of Linked Chains**

Human trafficking networks are generally comprised of small organizations that specialize in the recruitment, trafficking, or exploitation phase of trafficking that form a linked chain of organizations to move trafficked persons from source to destination countries. These networks will sometimes outsource temporary support for transportation or safe houses. For example, the Spanish took down a global human trafficking network based in China that worked with brokers in Sudan to smuggle Sudanese men into Madrid. Once in Spain, these men were enslaved in a local criminal trade to sell counterfeit goods in order to pay off the debt they owed to the smugglers.<sup>15</sup>

### **Ad Hoc Bank Fraud Network**

In 2009, a transnational criminal organization exploited a sophisticated hack into a subsidiary of Royal Bank of Scotland (RBS) to withdraw more than \$9 million from 2,100 ATM machines in 280 cities. The group that perpetrated the crime was comprised of an insider at RBS with access to debit card accounts, a hacker who had the technical expertise to exploit the accounts, and a third criminal who hired mules around Europe to draw millions of dollars from the accounts via ATM transactions.<sup>16</sup>

### **Online Counterfeit Drug Sales**

Purveyors of counterfeit pharmaceuticals are using the Internet and cyber tools to identify and lure victims to illicit online pharmacies. Criminals with access to counterfeit drugs hire cyber specialists who build cyber infrastructure to create spam ads or affect search-engine manipulation to attract customers; build redirection sites; and develop a legitimate-looking web site to affect online purchase of counterfeit drugs. Criminals then use a variety of cash-out services to launder the online drug profits.<sup>17</sup>

## **Network Vulnerabilities Create Opportunities**

Today's transnational criminal networks exhibit an increasing variety of structures that challenge our preconceptions about criminal organizations, but the globalization of criminal enterprise has also led to the weakening of the ties binding together organizations. Traditional methods used by criminals to vet collaborators are more difficult and inefficient in the global or cyber-based context. Often, relationships between criminal actors perpetrating a crime are transactional and ad hoc in nature. Traditional bonds of loyalty are limited or nonexistent. As a result, criminal organizations are in some ways easier to penetrate; criminals are more willing to give up associates.

Another potential vulnerability arises when multiple transnational criminal groups use the same criminal service provider. As a result, targeting service providers—such as money launderers, document forgers, or weapons smugglers—can produce leads against multiple criminal organizations.

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The loose and flatter structures of many criminal networks can create internal stresses. Such internal stresses can be exacerbated by law enforcement efforts targeting the leadership of sub-elements within the organization. Antidrug efforts in Colombia and Mexico have fractured the larger drug cartels; although in Mexico, in particular, such efforts have provoked the inter-cartel violence as more organizations compete for the same lucrative drug market.<sup>18</sup>

Criminals' adoption of new technology can also make them more vulnerable. Their use of advanced telecommunications or computer technology can provide law enforcement with avenues for collecting information about individual criminals and the ability to link globally connected organizations.

### **Implications for Global Anti-Crime Efforts**

A recent study by the Congressional Research Service summarized the challenge governments face in tackling the evolving criminal threat. It advises that criminals have expanded their range of tools and targets “while law enforcement plays by yesterday’s rules and increasingly risks dealing only with the weakest criminals and easiest problems.”<sup>19</sup> Tackling the most salient threats from TOC will require new methods for assessing risk, choosing the right targets, and developing and implementing anti-crime strategies that will require coordination across multiple jurisdictions.

### **Targeting Critical Players**

It is often more efficacious to target specialists, such as transporters, hackers, moneymen, or chemists, rather than a criminal organization’s leadership. In order to choose the actors most critical to the functioning of a criminal network, or more broadly to accurately assess the vulnerabilities of criminal enterprises, one must develop a map of the entire network. Flatter, distributed organizations are more resilient and flexible, but they can be subject to targeting efforts that weaken or eliminate critical transportation nodes, disrupt the flow of money within the organization, or weaken its security apparatus.

### **Disrupting Markets**

Many observers now believe that targeting individuals or organizations is less effective than disrupting illicit markets, supply chains, and service

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providers. Disrupting supply of and demand for illicit product can reduce the incentives for organizations to stay in the game despite expensive losses, or for new players to replace dismantled organizations. Mexico's antidrug efforts have led to the arrests of numerous drug cartel leaders and the weakening of several larger criminal organizations, yet continued high demand in the United States and high levels of drug production to meet that demand continue to fuel a lucrative drug market and sustain high levels of violence between criminal organizations battling for market share. The history of efforts to limit drug supply and recent efforts to reduce the trade in ivory illustrate difficulty of disrupting illicit markets.<sup>20</sup>

### Creating a Global Anti-Crime Network

Disrupting a globalized criminal enterprise requires a globalized response. International law enforcement efforts need to cross national boundaries with the alacrity of their criminal adversaries. However, to date, a lack of a common appreciation of the threat, competing national priorities, a patchwork of information-sharing regimes, and varying levels on institutional capacity have inhibited the development of a robust, global response to the TOC threat. And government efforts alone cannot solve the problem of TOC. Tackling modern criminal threats also necessitates increased public-private partnerships. Private companies are on the front lines of many criminal attacks and have access to important information about organized criminal groups, trends in criminal activity, and new techniques used by criminal actors. In an era of accelerating change, a global anti-crime network, strengthened by public-private partnerships, will be able to meet the challenge of TOC.

### Endnotes

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