

EXECUTIVE SUMMARY

Transnational organized crime only found its way onto the international agenda recently, but has gathered considerable attention in recent years. The United Nations Convention against Transnational Organized Crime entered into force in 2003. The next year, the United Nations High-level Panel on Threats, Challenges, and Change, identified transnational organized crime as one of “six clusters of threats with which the world must be concerned now and in the decades ahead.”¹ In February 2010, the UN Security Council noted “with concern the serious threat posed in some cases by drug trafficking and transnational organized crime to international security in different regions of the world” and invited the Secretary-General of the United Nations “to consider these threats as a factor in conflict prevention strategies, conflict analysis, integrated missions’ assessment and planning.”²

Stopping the operations of transnational organized crime has thus become a matter of international priority. Translating political will into concrete results will mean achieving two difficult goals: understanding transnational organized crime and integrating national responses into international strategies. This report is a contribution to the first effort.

A non-exhaustive list of the transnational organized crime problems confronting us would surely include human trafficking, migrant smuggling, heroin trafficking, cocaine trafficking, firearms trafficking, environmental resources trafficking, counterfeit goods trafficking, maritime piracy and cybercrime. Because most of these problems involve the trafficking of people or goods internationally, this report focuses on documenting distinct “flows” as examples of each organized crime problem. This allows discussion of concrete details on how the trafficking is being conducted and who is involved. It also allows more accurate estimation of the size of the flow than is generally possible when speaking in global terms. Finally, this report looks at certain regions that are particularly vulnerable to the destabilizing impact of organized crime. This is not always an easy task, as data are not usually readily available. Estimates should thus be interpreted with caution and may change as more and new information becomes available.

What is “transnational organized crime”?

Under the Organized Crime Convention, transnational organized crime (TOC) is any serious trans-

national offence undertaken by three or more people with the aim of material gain. This understanding is broader than that popularly used, which tends to focus on multi-crime groups of career criminals.

This focus on the groups rather than the offences has deep implications for the way TOC is understood and addressed. Law enforcement officials tend to conceive of TOC as groups of people, because the tools they possess – the powers of arrest and seizure – can only be levelled against individuals. But TOC problems are often caused by factors other than the people presently implicated. To solve these problems, tools are needed beyond those given to law enforcement officials.

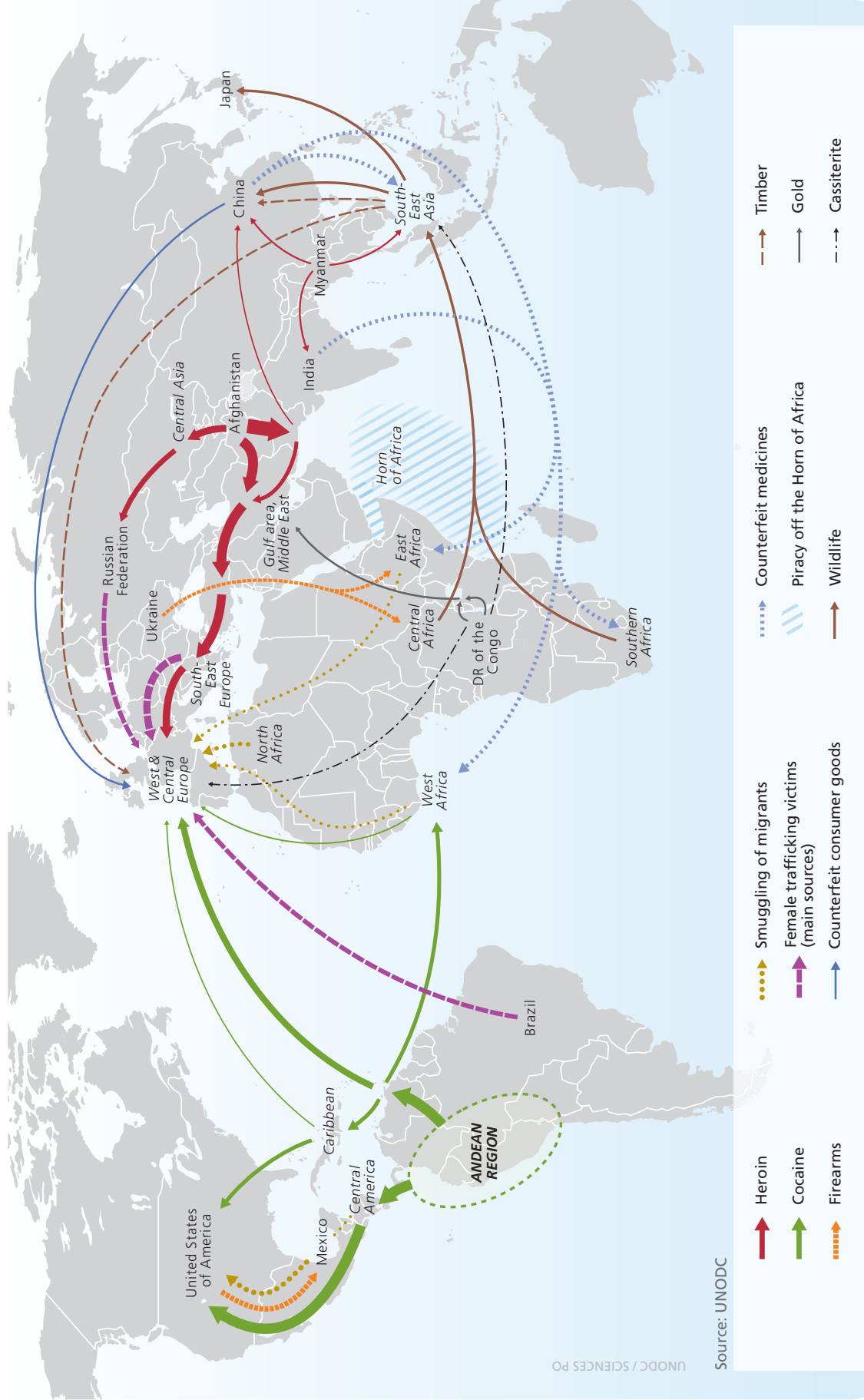
Law enforcement officials are also limited to action within their national jurisdiction. Facilitated by the Convention and similar mechanisms, bilateral and regional cooperation are possible, but the TOC problems examined in this report are often global in scale. To resolve global issues, global strategic thinking is required.

Gathering reliable information on which to base this strategy is no easy task. 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. Consequently, most organized criminal activity is only registered when the police take the pains to proactively investigate it. Some enforcement agencies lack the capacity, or the mandate, to do this.

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 drug seizure data to UNODC, and many 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. But there are still serious deficiencies in our knowledge about the way drug markets operate. Even less is known about other areas of transnational organized crime, and there are few global databases on these topics.

The matter is made all the more confusing because the nature of transnational organized crime is

FIG. 1: MAIN GLOBAL TRANSNATIONAL ORGANIZED CRIME FLOWS DISCUSSED IN THIS REPORT



UNODC / SCIENCES PO

changing all the 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 – all have impacted on organized crime in unpredicted ways. Future trends are likely to be affected by global shifts in demographics, migration, urbanization, conflict and economics. To avoid being blindsided, the international community needs to better understand the way that TOC patterns relate to broader social changes.

Aside from what little is known about specific markets, can anything sensible be said about trends in transnational organized crime generally? 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. Under enforcement pressure, the narrative goes, the traditional, hierarchical organized crime groups have developed a “cell structure” similar to that seen in terrorist groups, with small networks doing the work formerly performed by more rigid structures.

Rather than being an adaptive response of traditional groups, it appears that these networks of market-driven individuals have always existed in transnational trafficking, but were less visible to law enforcement authorities focused on local crime problems. Perhaps it is safest to say that the groups themselves have become less important than the markets with which they engage. 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. To solve TOC problems, it is necessary to come to terms with these markets on the scale at which they operate. The following case studies are an attempt at assessing some of these flows.

Trafficking in persons

Trafficking in persons is a truly global phenomenon: in data recently reported to UNODC, victims from at least 127 countries were detected, and 137 countries reported having detected victims. While this sample may not be representative of the entire victim pool, two thirds of the victims reported were

women, and 79% of the victims were subjected to sexual exploitation. The European Union has one of the best documented pools of victims of trafficking for the purposes of sexual exploitation, with a greater variety of nationalities (at least 95) than any other part of the world. This market is the subject of a flow study.

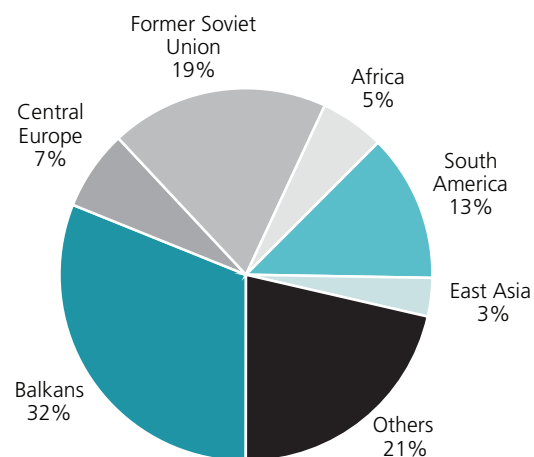
Trafficking of women to Europe

With the end of the Cold War, a large number of labourers of all sorts moved from Eastern to Western Europe. Some of these labourers were or became sex workers, and not all came voluntarily. In 2005/2006, 51% of human trafficking victims detected in Europe were from the Balkans or the former Soviet Union, in particular Romania, Bulgaria, Ukraine, the Russian Federation and the Republic of Moldova. But this appears to be changing, as women trafficked from other parts of the world are becoming more prominent.

In many instances, women, some of whom may have once been victims themselves, play an important role in exploiting the victims. The traffickers are often of the same nationality as the victim, although there are important exceptions. The techniques used to recruit victims seem to vary by source country: in Eastern Europe, for example, victims may be collected through employment agencies, while in West Africa, family and social networks are utilized. As a general rule, groups engaging in trafficking for sexual exploitation are small, although there have been exceptions.

FIG. 2:

ORIGINS OF TRAFFICKING VICTIMS DETECTED IN WEST AND CENTRAL EUROPE, 2005-2006



Source: Elaboration of UNODC-UN.GIFT data

The chapter estimates that there are 140,000 trafficking victims in Europe, generating a gross annual income of US\$3 billion for their exploiters. With an average period of exploitation of two years, this would suggest over 70,000 new entries every year. The trend appears to be stable.

Smuggling of migrants

Due to global inequalities and restrictive immigration policies, many workers from developing regions are willing to borrow heavily from their communities and risk their lives to access opportunities in the more affluent countries. Since they cannot do this legally, they often employ organized criminals to assist them, and become more likely to do so as immigration controls tighten. Because these services are illegal, those who provide them have tremendous power over their charges, and abuses are commonplace, particularly when the movement is clandestine. This report examines two northward smuggling flows: from Latin America to North America and from Africa to Europe.

Latin America to North America

The USA hosts the second-largest Spanish speaking population in the world, including more than 9 million people born in Mexico. Over a third of the population speaks Spanish in the border states of California, Texas and New Mexico. Combined with the fact that some 150 million Latin Americans live on less than two dollars per day, this expatriate population exerts a powerful pull on the poorer states to the south. Mexican immigrants can expect to greatly improve their standard of living without having to master a new language or leave behind

their cultural group. As a result, an estimated 80% of the illegal immigrant population in the United States is from Latin America. Most clandestine entrants to the USA come across the Mexican land border, most of these entrants are Mexican, and over 90% of illegal Mexican migrants are assisted by professional smugglers. Some 88% of the total 792,000 migrants apprehended in 2008 were Mexican nationals, and the remainder were mostly other Latin Americans.

Although migrants have been detected travelling by rail, on foot and even using dedicated tunnels, most of the migrants are smuggled in trucks. The smuggling generally takes the migrants some distance from the border. Smuggled migrants may be collected in “stash houses”, either before the crossing or once inside the USA. The smugglers group the migrants in these houses in order to receive the rest of the smuggling fee. This is normally paid by migrants’ relatives in the country of origin or in the USA. While delaying payment until the crossing is complete provides some security that migrants will not simply be dumped in the desert, it also transforms the migrants into hostages, the collateral on which the transaction is secured. In Mexico, non-Mexican migrants have been held for ransom as well. While some sophisticated operations have been detected, it appears that a large number of small groups handle the bulk of the trade.

Overall, it appears that about 3 million Latin Americans are smuggled illegally across the southern border of the USA every year. Since 90% of them are assisted by smugglers, the income for the smugglers is likely to be around 7 billion dollars per year. This market appears to have been in sharp decline since 2005. Between 2005 and 2008, the number of Mexican apprehensions decreased by 35% and apprehensions of other nationals decreased by 62%.

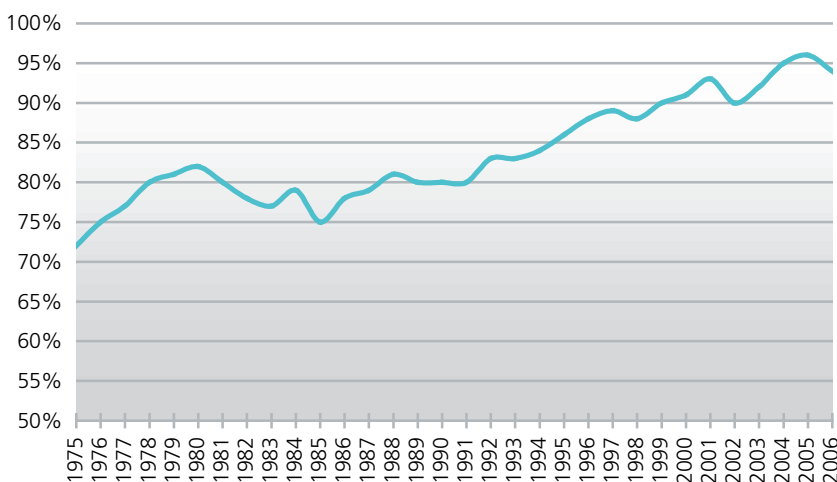
Africa to Europe

The dynamics behind African migration to Europe are similar to those behind Latin American migration to the USA, except the push and pull factors are even stronger. The fact that illegal immigration from Africa to Europe is a fraction the size of that from Latin America to the USA is probably partly due to the relative difficulty of making the crossing, and partly due to the relatively small size of the African expatriate population in Europe. Nonetheless, Europe does host the largest African-born population outside Africa, and remittances form a significant share of GDP in many African countries.

Most migrant smuggling routes involve long land

FIG. 3:

SHARE OF MEXICAN ILLEGAL IMMIGRANTS MAKING USE OF SMUGGLERS, 1975-2006



Source: Mexican Migration Project

passages and short maritime hops to European islands. Both parts of this voyage are hazardous, and the migrants are subject to exploitation throughout their journey. The routes taken have changed dramatically in response to enforcement action. For example, the Canary Islands grew rapidly until 2006, at which point enforcement pushed the flow toward Lampedusa, until a cooperation agreement between Italy and the Libyan Arab Jamahiriya in May 2009 abruptly shut this route down. Since these islands are not the final destination of the migrants, they rely on the authorities to transport them to the mainland. Many European countries do not have repatriation agreements with African countries, and migrants without identification papers are generally released with an order to depart. Counting on this outcome, most African migrants actively seek to be detected by the authorities.

This makes assessing the flow relatively simple. Some 55,000 migrants were smuggled into Europe in 2008, worth about US\$150 million to the small groups of smugglers who found themselves positioned along the route at that time. The overall flow appeared to be slowly growing until 2009, but it remains to be seen whether the financial crisis will reverse this trend in Europe as it has in the United States.

Cocaine

Cocaine comes from three countries in the Andean region. Until recently, almost all cocaine production was directed north, to the US market, but US demand has been declining since the 1980s, and recently fell precipitously. At the same time, cocaine demand in Europe began to grow, and has increased rapidly in the twenty-first century.

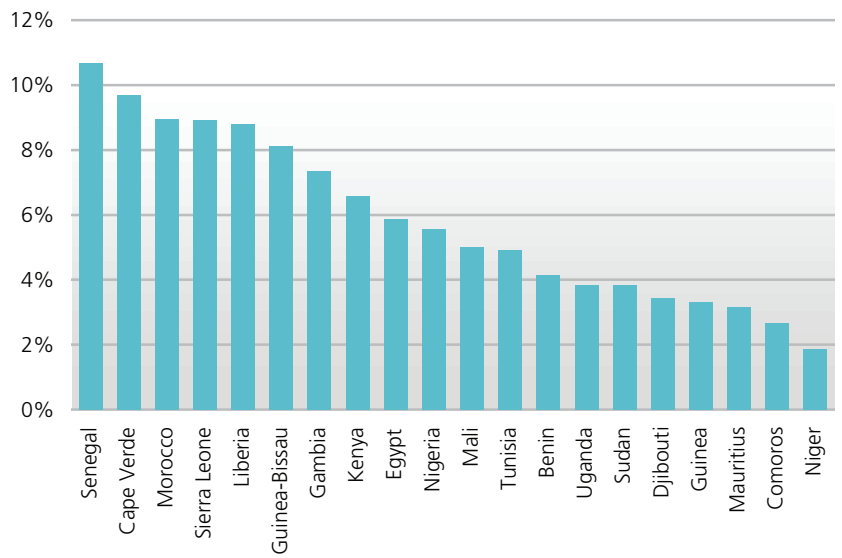
From South America to North America

The ways cocaine is moved from South America to North America have varied over time, partly in response to enforcement efforts and partly due to changes in the groups doing the trafficking. Today, cocaine is typically transported from Colombia to Mexico or Central America by sea (usually by Colombians) and then onwards by land to the United States and Canada (usually by Mexicans). The US authorities estimate that close to 90% of the cocaine entering the country crosses the US/Mexico land border, and some 70% of the cocaine leaves Colombia via the Pacific, 20% via the Atlantic, and 10% via the Bolivarian Republic of Venezuela and the Caribbean.

Following the dismantling of the Medellin and Cali

FIG. 4:

REMITTANCES AS PERCENTAGE OF GDP TOP 20 AFRICAN COUNTRIES, 2007



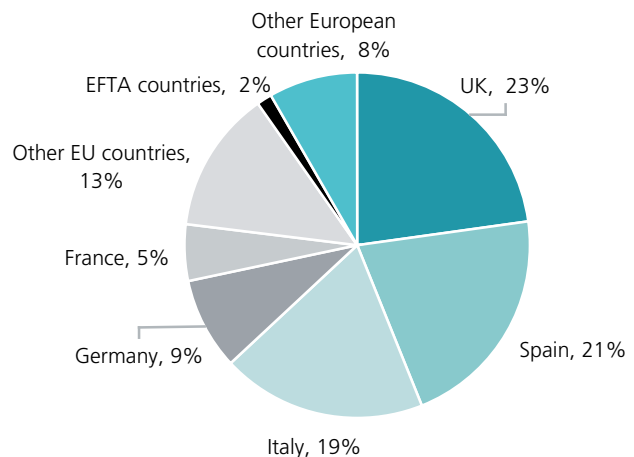
Source: World Bank

cartels in the early 1990s, the Colombian organized crime groups got smaller and violence declined. At the same time, Mexican groups grew in size and strength, and today are responsible for most of the violence in Mexico.

Some 196 tons of cocaine are needed to satisfy US demand, a flow valued at US\$38 billion in 2008, but this money is not evenly distributed. The coca farmers in the three Andean countries earned about US\$1.1 billion that year. The amounts generated from processing and trafficking activities within the Andean countries for cocaine destined to be shipped towards North America amounted to around US\$400 million. The total gross profits accruing to those importing cocaine to Mexico can be estimated

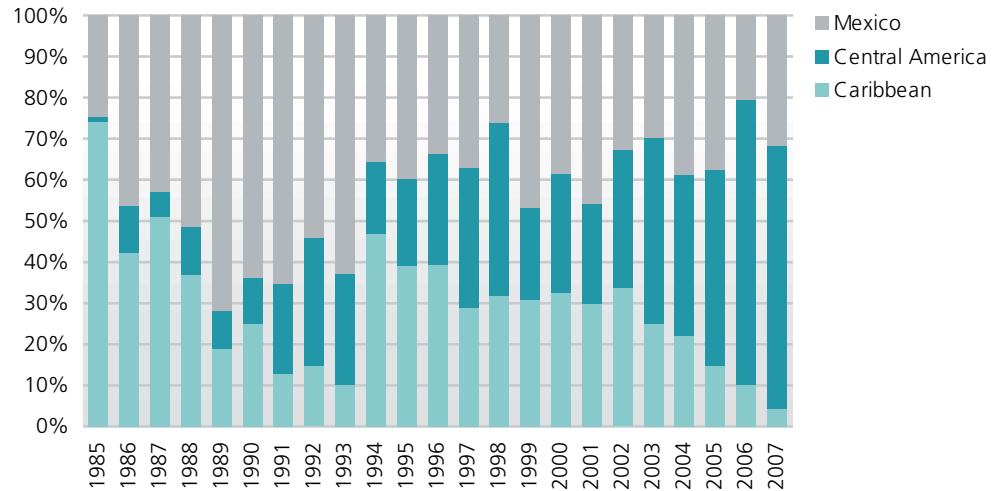
FIG. 5:

DISTRIBUTION OF THE COCAINE USER POPULATION IN EUROPE, 2007-2008



Source: Multiple sources

FIG. 6:

DISTRIBUTION OF COCAINE SEIZURES MADE IN CENTRAL AMERICA, THE CARIBBEAN AND MEXICO, 1985-2007

Source: UNODC, Annual Reports Questionnaire Data / DELTA

at around US\$2.4 billion (excluding costs of shipping), and the Mexican cartels reaped US\$2.9 billion that year moving the cocaine across the border into the USA. The largest profits, however, are generated within the USA: US\$29.5 billion between the US wholesale level and US consumers. Out of these gross profits, the bulk is made between the mid-level dealers and the consumers, accounting for more than US\$24 billion or 70% of the total size of the US cocaine market.

From the Andean Region to Europe

The number of cocaine users in Europe has doubled over the last decade, from 2 million in 1998 to 4.1 million in 2007/2008. The overall level of cocaine use is still lower than in North America, but individual European countries, notably Spain and the United Kingdom, now have higher annual prevalence rates than the USA. The European cocaine market grew in value from US\$14 billion in 1998 to US\$34 billion in 2008, about the same size as the US market. Preliminary data suggest the rapid growth of the European cocaine market is beginning to level off, however.

Most of the trafficking of cocaine to Europe is by sea. Most cocaine shipments to Europe are destined for one of two regional hubs: Spain and Portugal in the south and the Netherlands and Belgium in the north. Colombia remains the main source of the cocaine found in Europe, but direct shipments from Peru and the Plurinational State of Bolivia are far more common than in the US market. The routes taken to arrive in Europe have changed in recent years. Between 2004 and 2007, at least two distinct

transshipment hubs emerged in West Africa: one centred on Guinea-Bissau and Guinea, and one centred in the Bight of Benin which spans from Ghana to Nigeria. Political turmoil in the northern hub and successful interdiction elsewhere appear to have dampened this transit route for the time being, although it could quickly re-emerge. The Bolivarian Republic of Venezuela has also emerged as a key transit country for shipments to Europe, particularly for large maritime shipments.

In the end, about 124 tons of cocaine are distributed in Europe, worth some US\$34 billion. It appears that less than 1% of the value of cocaine sales in Europe goes to the Andean coca farmers, and another 1% goes to traffickers within the Andean region. The international traffickers who ship the cocaine from the Andean region to the main entry points (notably Spain) obtain 25% of the final sales value. A further 17% is generated in shipping the cocaine from the entry points to the wholesalers in the final destination countries across Europe. The largest income is generated in the destination countries, between the wholesaler and the consumer, generating more than 56% of the total. As there are far more dealers at the national level, however, the per capita income of the dealers at the national level in Europe is lower than among the smaller group of internationally operating cocaine dealers.

Heroin

The origin of most of the world's heroin is concentrated in a handful of provinces in embattled Afghanistan. Afghan heroin feeds a global market worth about US\$55 billion annually. The Balkan

and Northern routes are the main heroin trafficking corridors linking Afghanistan to the huge markets of the Russian Federation (US\$13 billion) and Western Europe (US\$20 billion). Most of the profits go to the organized crime groups along the route, but some goes to fund insurgents in Afghanistan.

Afghanistan to the Russian Federation

After the fall of the Soviet Union, the use of heroin appears to have rapidly grown in the Russian Federation, but began to stabilize around 2001. Today, there are an estimated 1.5 million heroin users in the Russian Federation, making it the single largest national heroin consumer in the world. To get to Russian markets from Afghanistan, land transport appears to be the most popular route. Twenty years ago, all the countries north of Afghanistan were part of the USSR, so cross-border linkages are common. These new states are mostly poor and some have had problems with political insurgencies. Under-resourced and struggling to find their feet, stopping trans-shipment of heroin was not an early priority. Today, efforts are being made, and several tons of heroin are seized each year, but some 70 tons manage to make their way through to satisfy demand in the Russian Federation.

To get 70 tons to the Russian consumer, some 95 tons, or 25% of all Afghan heroin exports, must pass from Afghanistan into Central Asia, with Tajikistan handling most of this volume. Both large, well-organized groups and small entrepreneurs appear to be engaged in trafficking, with the drug typically changing hands multiple times before reaching the consumer. Cross-border familial and ethnic linkages appear to be important in facilitating the flow.

These 70 tons are sold for US\$13 billion in Russian markets, and this flow appears to have been increasing since 1999.

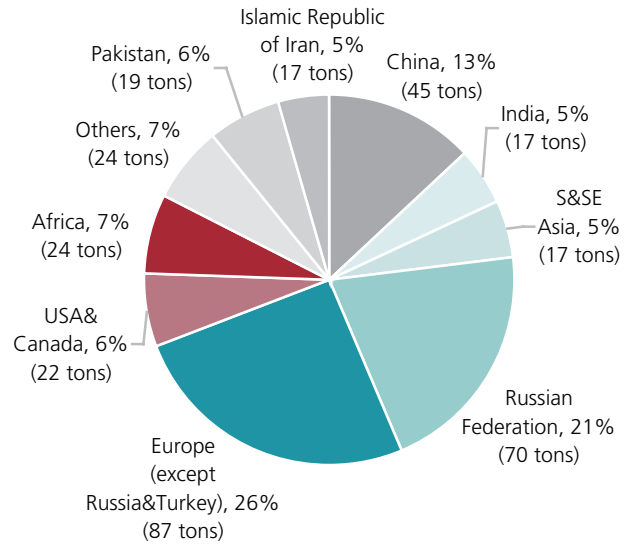
Afghanistan to Europe

The “Balkan route” proceeds by land from the Islamic Republic of Iran (or Pakistan into the Islamic Republic of Iran) via Turkey and through South-East Europe. To satisfy European demand for 87 tons of heroin, about 140 tons must depart Afghanistan along this route, largely due to high levels of seizures in the Islamic Republic of Iran and Turkey. Most of this heroin is consumed in just four countries: the United Kingdom, Italy, France and Germany.

Organized crime groups involved in international trafficking on the Balkan route are often composed

FIG. 7:

GLOBAL HEROIN CONSUMPTION (340 TONS), 2008 (SHARE OF COUNTRIES/REGIONS)

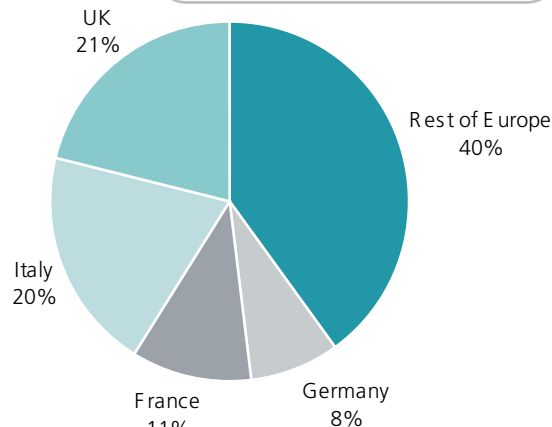


Source: UNODC

of nationals from the source or transit countries. But, at various stages, many of the traffickers may be transportation professionals contracted to do the job, not necessarily members of the group that owns the drugs. Opiates destined for Western Europe are trafficked out of Afghanistan by Baluchi and Pashtun networks operating in the border regions of Afghanistan, Pakistan and the Islamic Republic of Iran. Baluchi groups are believed to offload their shipments in the Islamic Republic of Iran to groups with greater regional and international ties, such as Azeri, Arab, Persian and Kurdish groups. Once opiates have changed hands, these groups are then mainly responsible for shipping the drugs from the eastern to the western borders of the Islamic Republic of Iran. Once in Turkey, large shipments are broken down into smaller parcels for distribution in Europe.

FIG. 8:

ESTIMATED HEROIN CONSUMPTION DISTRIBUTION IN EUROPE (TOTAL 87 TONS)



Source: UNODC

In the Balkans, relatively little heroin is seized, suggesting the route is exceedingly well organized and lubricated with corruption. Balkan groups are important through the Balkans, but do not appear to control the drugs in destination markets. In most European countries, nationals control the local drug markets. The Netherlands acts as another redistribution center, after Turkey.

Firearms

The trafficking of firearms is unlike many of the other forms of trafficking discussed in this report because firearms are durable goods. In addition, the modern pistol or assault rifle represents a “mature technology”, so current weapons holders do not need to regularly update their stock to remain competitive. Consequently, the number of new small arms purchased each year is only about 1% of those already in circulation, and this likely applies to both licit and illicit markets. There are two primary markets for illicit arms – those who need weapons for criminal purposes, and those who need them for political ones. The movement of firearms from the United States to Mexico represents an example of the first, while the outflow of guns from Eastern Europe serves as an example of the second.

From the United States to Mexico

The United States of America is an obvious source of weapons for criminals in Mexico. The United States has the most heavily armed civilian population in the world, with about one quarter of all adults having at least one firearm. The gun trade in the United States is subject to competitive pressures, so weapons are also inexpensive in compari-

son to countries where firearms sales are highly regulated, such as Mexico.

It appears that most of the firearms trafficked into Mexico are purchased from one of the 6,700 gun dealers along the border with Mexico using “straw purchasers” and driven across the border by a large number of cross-border smugglers. Very small batches of weapons are moved across at the regular crossing points, concealed in private vehicles. About 88 million passenger cars cross the border each year, and most of those crossing the border do so every day; a single smuggler following this ebb and flow can transport more than 500 weapons per year in loads too small to be suspected as organized trafficking. In the end, the cross-border trade in arms is best seen as a market, rather than a group-driven activity.

Mexico already has a lot of illicit arms, however: an estimated 10 million unregistered weapons, or enough to arm one in three of the adult males in the country. In this context, trafficking serves mainly to top up the market. Based on what is known about the size of the groups that provide the bulk of demand – the drug cartels – an estimated 20,000 weapons are trafficked each year, worth at most US\$20 million.

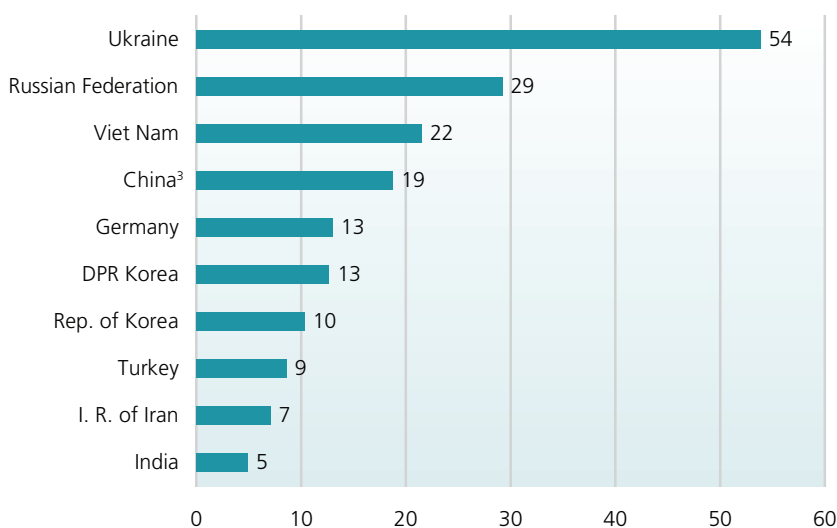
From Eastern Europe to the world

The dissolution of the former Soviet Union left many of the new countries, particularly on strategic borders, with an unwanted legacy: large stockpiles of aging, but still functional, arms and ammunition. Ukraine is a case in point. After dissolution, Ukraine essentially inherited 30% of the Soviet military-industrial complex. The country currently holds an estimated 7 million small arms. In absolute terms, this is the third largest stockpile in the world, after China and the Russian Federation, but Ukraine emerges as the country with the most spare firearms per active duty soldier. This large stockpile presents a risk as shown by numerous reports of attempted or completed transfers to states subject to sanctions or involved in regional conflicts, particularly in Africa.

To arm a revolution or embargoed military, a large number of weapons is required. It is generally difficult to steal and clandestinely traffic sufficient quantities to make the venture worthwhile, so most military arms “trafficking” takes place under a veneer of legality. Like other commodities where the legality of a shipment is entirely dependent on paperwork, most large-scale arms trafficking hinges on corruption. Most transactions involve a combination of officials and international arms brokers.

FIG. 9:

FIREARMS PER ACTIVE DUTY SOLDIER, TOP 10 LARGEST NATIONAL ARSENALS



Source: Elaborated from data in Small Arms Survey 2007; International Institute for Strategic Studies

These brokers sell their connections, their access to fraudulent paperwork, and their transportation services to both insurgent groups and embargoed states. They operate chains of shell companies and often own small fleets of surplus planes and other vehicles. Because warring parties may lack an international currency, brokers may take payment in the form of natural resource concessions, making money on both the sale of the arms and the sale of exported commodities. As a result, they may have a background in dealing in natural resources.

In terms of valuation, arms trafficking to political combatants is episodic, and so it is difficult to speak of a consistent flow. During a crisis, demand may be high, only to subside as peace is restored. Looking just at shipments connected to a specific case of trafficking to South Sudan, some 40,000 Kalashnikovs were sold in 2007/2008, valued at some US\$33 million.

Environmental resources

There are many forms of transnational organized environmental crime, and as global regulations grow, new forms will emerge. Classically, there are two major subheadings under which these offences fall. One is crime related to pollution, in particular hazardous waste dumping and the trade in ozone-depleting substances. The second is crimes related to illicit harvesting of natural resources, in particular threatened animal species, timber and fish. This discussion focuses on two important instances of environmental resource theft and trafficking: the trafficking of endangered species from Africa and South-East Asia to Asia as a whole, and the trafficking of timber from South-East Asia to Europe and Asia.

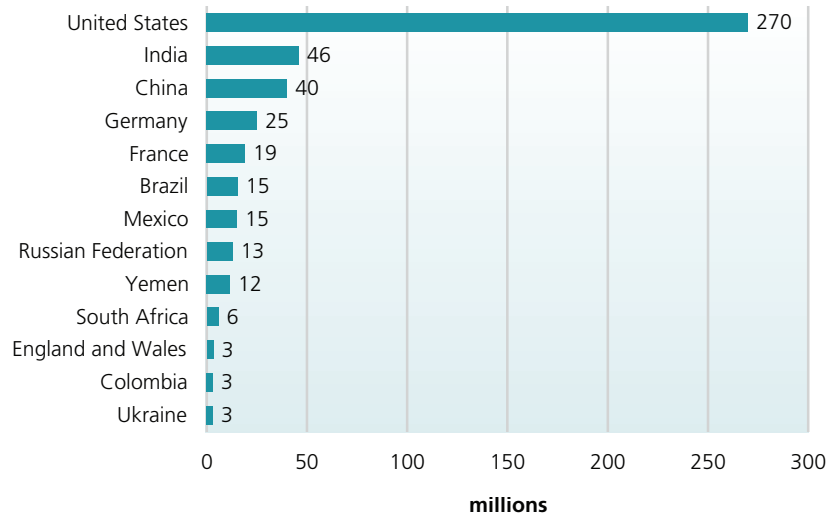
Wildlife from Africa and South-East Asia to Asia

Between them, sub-Saharan Africa and South-East Asia are home to a large share of the world's endangered large mammal species. Both regions face serious challenges to environmental protection, including a lack of effectively managed resources for law enforcement, few alternative livelihoods for rural people, long hunting traditions, periodic insurgencies and conflicts, weak border enforcement, and some enforcement officials who may find the economic potential of this market more attractive than their salary. These problems are not unique to these regions, but, unfortunately, the wildlife species are.

The first step in the trafficking chain is poaching. Well-organized groups have been documented, and it is clear that some have turned environmental

FIG. 10:

TOTAL CIVILIAN FIREARMS HOLDINGS, SELECTED COUNTRIES



Source: Elaborated from estimates in Small Arms Survey 2007

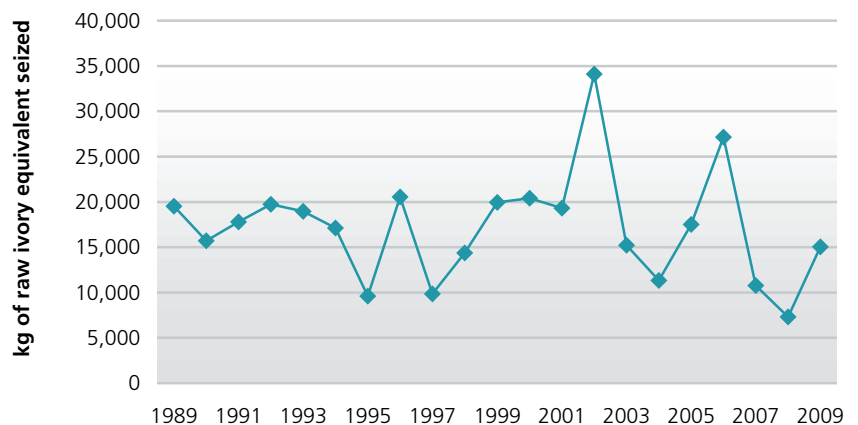
exploitation into a business. Not all players in the market are full-time professionals, and some of those sourcing wildlife products may be informal participants.

In Africa, every state with a wildlife population is affected by poaching, but it appears that Central Africa is the main source of elephant ivory, and Southern Africa the main source of rhino horn. Some of these products are retailed to tourists locally, but very large consignments of ivory have been detected en route to Asia, representing larger organizations. There is evidence of militants being involved in the trade, including Somali and Sudanese groups.

In South-East Asia, a much wider variety of smaller wildlife is harvested, but the volumes are staggering,

FIG. 11:

QUANTITIES OF IVORY SEIZED ANNUALLY AND RECORDED IN THE ELEPHANT TRADE INFORMATION SYSTEM, 1989-2009



Source: TRAFFIC

and the environmental implications less well understood. One large species, the tiger, is on the verge of being poached into extinction in the wild. Border crossings are frequently made at points controlled by insurgent groups.

Between 5,000 and 12,000 African elephants are killed every year to supply the market with between 50 and 120 tons of ivory annually. The East Asian ivory market appears to be worth about US\$62 million per year. While seizures are smaller, rhino horn is worth far more than elephant ivory per kilogram. About 800 kilograms has entered the market in recent years, worth just over US\$8 million per year. Tiger parts continue to fetch high prices, but have become so scarce that if as much as 5% of the remaining tiger population were poached, this market would be worth less than US\$5 million per year.

Timber from South-East Asia to the European Union and Asia

The transportation of wild animal parts, when detected, tends to raise questions. In contrast, the transport of large volumes of timber and wood products is a staple of international commerce. As with other ostensibly licit goods, the legality of any particular shipment of timber is based on paperwork. Fraudulent paperwork can be used for a number of purposes. It can transmute a protected hardwood into a more mundane variety. It can render a product originating in a protected area into one from an authorized source. In Asia, much of this paperwork is not forged – it is bought from corrupt officials in timber source countries.

Illegal logging gangs operate throughout the source countries, with varying degrees of assistance from corrupt officials, particularly in the military. Brokers are often based in third countries in the region. Due to the bulk of the product, timber is generally transported by sea or by road, entering through official border crossings. Timber of questionable origin may be “laundered” by being re-exported or processed within the region.

Imports of illicitly sourced wood-based products to the EU from China and South-East Asia in 2009 are estimated at some US\$2.6 billion, and from South-East Asia to China at about US\$870 million. Much of this commerce is based on fraudulently acquired paperwork sourced from corrupt officials in South-East Asia, and consequently it has become very difficult to disentangle licit and illicit in this area.

Counterfeit goods

Product counterfeiting is a form of consumer fraud:

a product is sold, purporting to be something that it is not. The practice is widespread – products destined for 140 countries were detected in 2008 – and poses a serious global challenge. The branding of a product provides implicit quality assurance and a legal line of accountability that consumers have come to take for granted. Unaccountable products are often dangerous products, and the damage is not just felt in the receiving countries: the producing countries also suffer. Even as the major brands work to improve labour standards and workplace safety at their outsourced manufacturing sites, counterfeit goods producers take advantage of global sweatshops. As licensed manufacturers try to improve their environmental impact standards, counterfeiters enjoy the cost savings of dirty production. In short, anywhere that the international community attempts to establish good practice standards for industry, counterfeiters undercut them.

Counterfeit goods from Asia to Europe

Much of global economic growth in recent years has derived from outsourcing. Counterfeiters have taken advantage of this practice – in which the designers and manufacturers of a product often live on different continents. China, in particular, has grown rapidly as the world’s workshop, and according to World Customs Organization statistics, some two thirds of counterfeits detected globally in recent years were shipped from China. This production is typically decentralized. A large number of firms can produce virtually any product desired, and since many products are not branded until they are closer to their destination markets, the lines between licit and illicit production can become blurred.

The number of counterfeits detected at the European border has increased dramatically in recent years, and most of these products originate in China (including Hong Kong, China and Taiwan, Province of China). It remains unclear how much of this flow is due to push factors and how much to pull. As many are licit products on their face, most of these goods are shipped out by the same means as other manufactured goods, although they may be falsely declared to avoid inspections and evade taxes. The bulk proceeds by sea. Some are further processed, including mislabelling, in free trade zones in transit or once in Europe.

Once in Europe, the goods are distributed in a variety of ways. Some are sold through ostensibly licit discount retailers, but a large share appears to be distributed through informal markets, including flea markets. Street retailing is also important, usually making use of the labour of illegal immigrants.

There have been documented instances in which migrants, indentured to those who smuggled them into the country, have been compelled to work in the counterfeit vending trade. Based on European seizures and consumer surveys, the value of this market can be estimated at US\$8.2 billion per year.

Counterfeit medicines from Asia to South-East Asia and Africa

Asia has also emerged as a key source of medicine, especially for developing countries, and some share of this trade involves counterfeit pharmaceuticals. The debate around what constitutes a “counterfeit” drug has become highly politicized. From a crime perspective, any mislabelled product, whether intended to deceive as to the maker or the content, constitutes consumer fraud. When drugs are not of the potency or even of the type they are labelled to be, the results can be catastrophic, and not only for the buyer. Dilute medication can fuel the breeding of drug resistant strains of pathogens with global implications.

A large share of certain key medicines tested in both South-East Asia and Africa have failed potency tests and many are clear forgeries. It is clear that organized criminal groups are deliberately defrauding consumers in some of the poorest parts of the world, often with lethal results. The consensus, increasingly backed by forensic research, is that these drugs are originating primarily in India and China.

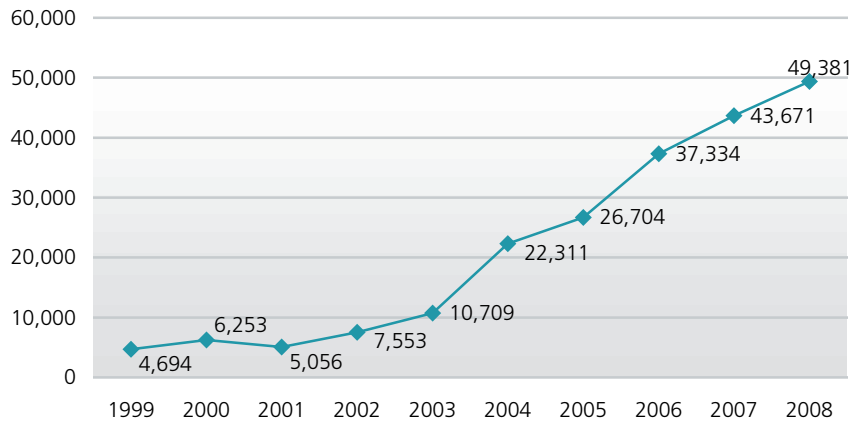
This crime is perpetrated for relatively meagre profits, considering the volumes involved and likely outlay. Consumers in these regions spend less than US\$10 per capita per annum on medicines. If one tenth of their expenditure was wasted on counterfeits, this would represent a market of some US\$1.6 billion per year.

Maritime piracy

Unlike most of the other organized crime problems discussed in this report, maritime piracy is not a trafficking issue. No contraband is moved, no illicit market serviced. Rather, it is a violent, acquisitive crime that exploits a dense international flow of commercial vessels. The term “piracy” encompasses two distinct sorts of offences: The first is robbery or hijacking, where the target of the attack is a maritime vessel or its cargo; the second is kidnapping for ransom, where the object of the attack is the crew. The Somali situation is unique in that almost all of the piracy involves kidnapping for ransom.

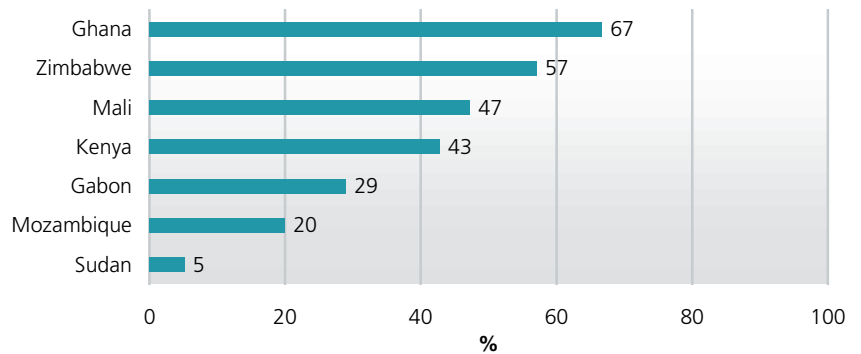
Modern piracy off the coast of Somalia is said to have arisen from efforts of local fishermen who

FIG. 12: ATTEMPTS TO IMPORT COUNTERFEIT GOODS DETECTED AT THE EUROPEAN CUSTOMS UNION BORDER, 1999-2008



Source: European Commission

FIG. 13: PERCENTAGE OF CHLOROQUINE TABLETS FAILING POTENCY TESTS IN SELECTED COUNTRIES, 2003

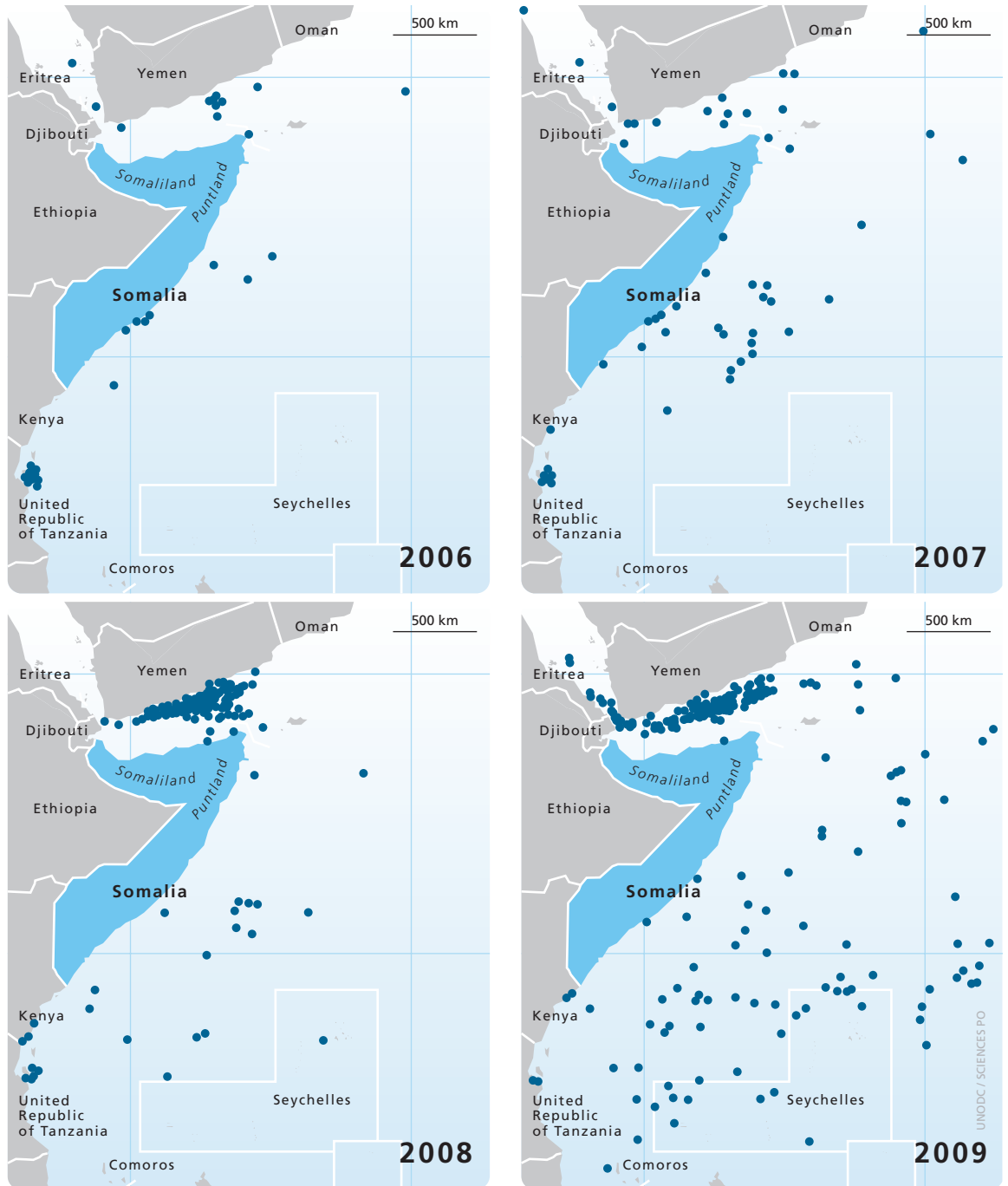


Source: World Health Organization

formed vigilante groups to protect their territorial waters. Today, in a situation similar to what has happened in the Niger Delta, the political aims of the pirates have all but been forgotten. While the rhetoric remains, the true end of these attacks is the enrichment of the pirates. Drifting further and further from the Somali coasts, the pirates are attacking commercial freighters, pleasure craft and other vessels that have nothing to do with Somalia. Rather than championing the cause of the Somali people, pirates today attack vessels bearing the food aid on which so many Somalis depend.

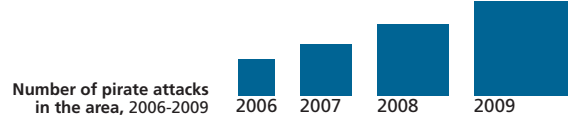
At present, most of the piracy appears to be conducted by a small number of dedicated groups, with limited ties to militants and insurgents on the mainland. This could easily change, however, as wealth generated through this activity becomes attractive to those who control the landing sites. In relative terms, piracy generates fortunes. In absolute terms, the true figure is unlikely to exceed US\$100 million.

FIG. 14: PIRACY INCIDENTS ATTRIBUTED TO SOMALI PIRATES, 2006-2009



Sources: Source: ICC: International Maritime Bureau, *Piracy and armed robbery against ships, Annual Report 2009*

● Each dot represents an actual or attempted piracy attack



Cybercrime

Cybercrime also differs from the product trafficking markets considered in the earlier chapters. “Cybercrime” has been used to describe a wide range of offences, including offences against computer data and systems (such as “hacking”), computer-related forgery and fraud (such as “phishing”), content

offences (such as disseminating child pornography) and copyright offences (such as the dissemination of pirated content). This discussion focuses on two of the most problematic: the well-established fraud of identity theft and the previously unprofitable trade in child pornography. The former is an acquisitive crime, an updated version of check kiting. The

latter is a kind of electronic trafficking, transmitting contraband across borders through the Internet.

Identity theft

Today, identity-related offences are both the most common form of consumer fraud, and the fastest growing. The misuse of credit card information is often identified as the most common form of identity-related crime, but most of this activity occurs offline. Electronic banking has offered opportunities for acquiring the cash more directly. The most recent techniques used to acquire identity information by Internet-related methods can be broken into three large headings: “phishing”, or deceiving Internet users into divulging their personal information; “malware”, or the use of unintentionally-installed software which collects and transmits personal information; and “hacking”, or illegally accessing computer systems remotely.

Identity theft is not necessarily a crime that needs to be committed with the help of others. Both the seller and the buyer of identity-related information are involved in the offence, but they do not form a “group” any more than do the buyers or sellers of any other commodity. One of the great advantages of the Internet for criminals is that it allows the formation of exactly these ad-hoc associations between otherwise unrelated individuals.

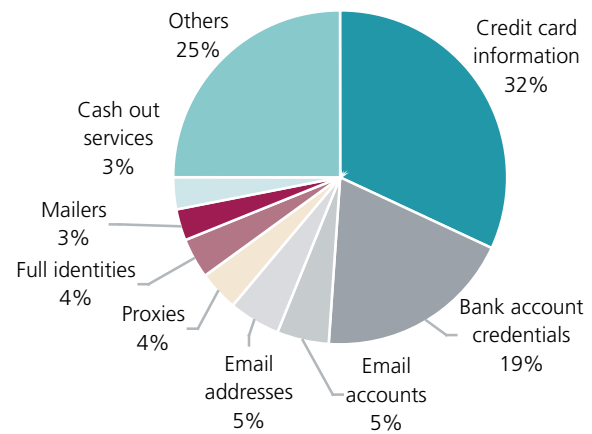
The USA has been reported as the leading source of credit card numbers advertised on underground economy servers. Figures from the USA show that most computer crime against US citizens is committed by other US citizens. Based on US data, the value of Internet-related identity crime globally can be estimated at some 1 billion dollars annually.

Child pornography

Until recently, the production and acquisition of child pornography were highly risky activities. Only a limited number of paedophiles had access to the facilities to produce hard copy materials, most materials were produced by amateurs, and their dissemination was limited to social networks that were both difficult to establish and fragile. One of the risks associated with the growth of the Internet is that the greater accessibility of child pornography could lead to greater demand, and thus greater profitability in the production and sale of these materials. If child pornography were to approach the profitability of adult pornography, this could attract the attention of organized crime groups, transforming what had been a furtive paper exchange into a professional operation and leading to greater

FIG. 15:

BREAKDOWN OF GOODS AND SERVICES AVAILABLE FOR SALE ON SAMPLED UNDERGROUND ECONOMY SERVERS, BY TYPE, 2008



Source: Symantec Global Internet Security Threat Report 2008

levels of victimization. The risk could be particularly acute in developing countries.

To date, this threat does not appear to have been realized. Although some large-scale commercial websites have been detected, most of the traffic in these materials appears to occur on a voluntary basis between amateur collectors, increasingly through peer-to-peer networks. The share of websites that are commercial seems to vary dramatically by jurisdiction. This may be related to the likelihood of being prosecuted in any given country.

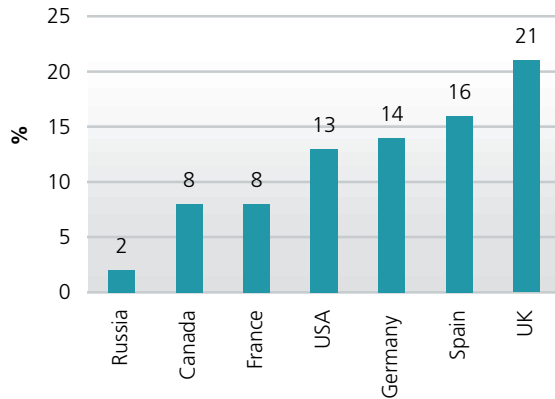
This is not to minimize the importance of the problem. Amateur producers may victimize children opportunistically (including their own offspring) and publicize the results. Because the victims and the offenders are so often related in some way, and because most of the exchange appears to take place between fellow offenders, most of the production seems to take place in the consumer countries. Research on the ethnicity of the victims suggests few are from Africa, Asia or Latin America.

Although there have been multibillion dollar estimates of the size of the child pornography industry, the existing data do not support an estimate of more than 1 billion dollars globally, with US\$250 million likely a better approximation. Clearly, child pornography is not a crime that can be reduced to a dollar figure.

Transnational organized crime and instability

TOC can present a major challenge even where the state is strong, but when, for a variety of reasons, the rule of law is already weakened, it can pose a

FIG. 16: SHARE OF ALL CHILD PORNOGRAPHY WEB SITES REVIEWED BY CYBERTIP.CA THAT WERE COMMERCIAL, 2009



Source: Canadian Centre for Child Protection

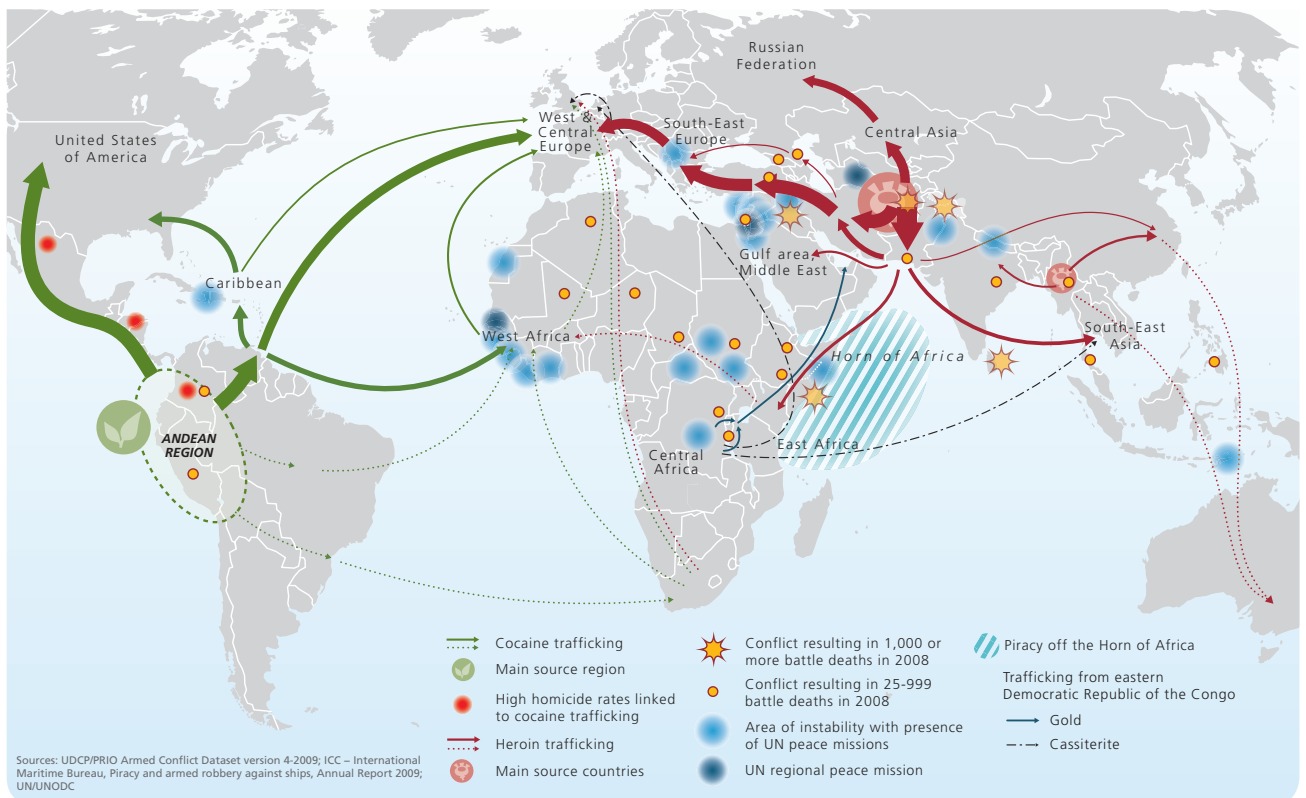
genuine threat to stability. As this crime further undermines governance and stability, countries can become locked in a vicious circle where social trust is lost and economic growth undermined. This challenge is sometimes overstated, but it is very real in some parts of the world.

The clearest examples are found in countries where insurgents and illegal armed groups draw funds

from taxing, or even managing, organized criminal activities, particularly drug trafficking. South-West Asia, South-East Asia and the Andean region are cases in point, and troubled areas in these regions have become the world's leading sources of some illicit drugs. In the absence of the sort of outside funding found during the Cold War, rebel and illegal armed groups must derive their sustenance from the regions they control, and these unstable areas are often already enmeshed in drug trafficking. The money associated with organized crime can be so great that militants may forget about their grievances and focus on satisfying their greed. Even where this is not true, drugs pay for bullets and provide a lifestyle to combatants that makes them less likely to come to the negotiating table.

Drug trafficking is not the only organized crime activity that can keep a rebellion and illegal armed groups afloat, however. As the example of the Democratic Republic of the Congo illustrates, insurgents can harvest and traffic the natural resources present in the areas they control, generating incomes for warlords that dwarf what they could earn in peacetime. Some of the world's poorest countries have been robbed of their most valuable resources in this way, and untold environmental damage has been done. Africa is especially vulnerable to this type of

FIG. 17: THE INTERSECTION OF TRANSNATIONAL ORGANIZED CRIME AND INSTABILITY



abuse, as diamond-fuelled wars in Angola and Sierra Leone demonstrate. The oil-driven conflict in the Niger Delta provides a current example.

Organized crime can become even more important when rebels gain exclusive control of a portion of a country. The pseudo-states thus created have no international accountability and, particularly when strategically placed, often become trafficking hubs and retail centres for all manner of illicit goods and services. They also continue to pose a threat to national and international security, providing a safe haven for international fugitives, including terrorists.

But conflict zones are not the only places where transnational organized crime can pose a threat to the state. There are a number of areas around the world where criminals have become so powerful that, rather than seeking to evade the government, they begin to directly confront it. In these cases, a pattern of symptoms is typically manifest. Investigators, prosecutors and judges who pursue organized criminals are threatened and killed. Journalists and activists may also be targeted. Corruption is detected at the highest levels of government, and law enforcement can become paralysed by mistrust. Portions of the country may effectively drift beyond state control. This is the situation presently confronted in some parts of Central America and West Africa, both of which have suffered from a long history of violence and instability.

TOC PROBLEM		ESTIMATED EXTENT	ESTIMATED ANNUAL VALUE (US\$)	ESTIMATED TREND	POTENTIAL EFFECTS
TRAFFICKING IN PERSONS	TO EUROPE FOR SEXUAL EXPLOITATION	70,000 victims (annual) 140,000 victims (stock)	3 billion (stock)	Stable	Human rights violations
SMUGGLING OF MIGRANTS	FROM LATIN AMERICA TO NORTH AMERICA	3 million entries (annual)	6.6 billion (income for smugglers)	Declining	Irregular migration, vulnerability of migrants
	FROM AFRICA TO EUROPE	55,000 migrants (annual)	150 million (income for smugglers)	Declining	Irregular migration, death of migrants
COCAINE	FROM THE ANDEAN REGION TO NORTH AMERICA	309 tons (depart) 196 tons (at destination)	38 billion (at destination)	Declining	Addiction; drug related crime, corruption and violence in the Andean region; links with illegal armed groups in the Andean region; destabilization and corruption in neighbouring states, Central America and Mexico
	FROM THE ANDEAN REGION TO EUROPE	212 tons (depart) 124 tons (at destination)	34 billion (at destination)	Stable	Addiction, drug related crime and violence, destabilization and corruption in Andean countries, the Caribbean and West Africa
HEROIN	FROM AFGHANISTAN TO THE RUSSIAN FEDERATION	95 tons (depart) 70 tons (at destination)	13 billion (at destination)	Increasing	Addiction, spread of HIV/AIDS; increase in organized crime, funding for criminals and insurgents, corruption
	FROM AFGHANISTAN TO EUROPE (EXCL. RUSSIA)	140 tons (depart) 87 tons (at destination)	20 billion (at destination)	Stable	Addiction, increase in organized crime; funding for criminals and insurgents, corruption
TRAFFICKING OF FIREARMS	FROM THE UNITED STATES TO MEXICO	20,000 weapons, mostly handguns	20 million	Stable	Rising deaths in Mexico's drug cartel wars
	FROM EASTERN EUROPE TO THE WORLD	At least 40,000 Kalashnikovs in 2007/2008	At least 33 million (in 2007/2008 at destination)	Declining	Death and instability

TOC PROBLEM		ESTIMATED EXTENT	ESTIMATED ANNUAL VALUE (US\$)	ESTIMATED TREND	POTENTIAL EFFECTS
TRAFFICKING OF NATURAL RESOURCES	WILDLIFE FROM AFRICA AND SOUTH-EAST ASIA TO ASIA	Elephant ivory: 75 tons Rhino horn: 800 kg Tiger parts: Perhaps 150 tiger skins and about 1,500 kg of tiger bones	Elephant ivory: 62 million Rhino horn: 8 million Tiger parts: 5 million	Increasing	Tigers and black rhinos may become extinct in the wild; impact on South-East Asia wildlife unclear; promotion of corruption and organized crime
	TIMBER FROM SOUTH-EAST ASIA TO THE EUROPEAN UNION AND ASIA	Perhaps 10 million cubic meters	3.5 billion (at destination)	Declining: Indonesia, Myanmar; Possibly increasing in Lao PDR, Papua New Guinea	Deforestation, loss of habitat, loss of species, climate change, increased rural poverty especially amongst indigenous people, irregular migration, flooding, soil erosion
PRODUCT COUNTERFEITING	CONSUMER GOODS FROM ASIA TO EUROPE	Some two billion articles per year	8.2 billion (at destination)	Increasing	Loss of product safety and accountability, loss of revenue
	MEDICINE FROM ASIA TO SOUTH-EAST ASIA AND AFRICA	Billions of dose units	1.6 billion (at destination)	Unclear	Death, drug-resistant pathogens
MARITIME PIRACY	OFF THE COAST OF SOMALIA	217 attacks in 2009	100 million	Increasing	Difficulties in establishing Government authority, negative impact on local and international commerce
CYBERCRIME	IDENTITY THEFT	Around 1.5 million victims	1 billion	Unclear	Increase in the costs of credit, depressive effects on the economy, loss of trust in e-commerce
	CHILD PORNOGRAPHY	Perhaps 50,000 new images generated annually	250 million	Unclear	Child victimization

CONCLUSION

Most of the trafficking flows examined in this report are the product of market forces, rather than the plotting of dedicated criminal groups. Demand exists for drugs, prostitution, cheap labour, firearms, wild animal parts, knock-off goods, hardwoods and child pornography. The consumption of these goods apparently carries little moral stigma, and little chance of apprehension, in the circles where the consumers operate; the demand endures, despite dramatic adaptive shifts in the production and trafficking of the contraband. To deal with these markets, creative solutions are needed, drawing on techniques not necessarily found in the law enforcement toolkit.

Groups of professional, multi-crime offenders are significant in some areas, however. For example, within the cocaine flow to the United States, which has run strongly for decades, the Mexican cartels have emerged, showing a willingness to engage in other forms of acquisitive crime, such as kidnapping and extortion. In these cases, there is no choice but to break up these groups, and the most direct way of doing this is through arrest and incarceration.

Whether driven by markets or groups, in almost every instance, these problems are transcontinental. Drugs link South America and Asia to North America and Europe. People are trafficked and smuggled from one end of the earth to the other. Commercial flows in raw materials and manufactured goods are truly globalized, the illicit along with the licit. As a result, what happens in the Andean countries, for example, has an impact on South America, Central America, North America, West Africa and Europe. And what happens in any of these regions has an impact on the Andean Region.

International cooperative action is developing and progress is necessary and inevitable. The control of crime must be seen as part of the larger project of global governance. Globalization has progressed faster than our collective ability to regulate it, and it is in the unregulated areas created by this disjuncture that organized crime opportunities have grown. Bringing the rule of law to the international flow of goods and services is essential if the problems of organized crime are to be uprooted.

There is no choice to tackle these problems at the scale they have emerged: globally. Local efforts are key, but will only serve to displace the flow until a coordinated approach is adopted. A global approach

will allow each flow to be scrutinised for vulnerabilities, the weak link in the chain to be identified. In every instance, there are likely points of insertion that have been overlooked simply because no one was examining all aspects of the problem and the way they interact to create transnational criminal markets.