



2ND EDITION

Edited by PAUL D. WILLIAMS



SECURITY STUDIES

AN INTRODUCTION



Transnational Organized Crime

Phil Williams

Abstract

In this chapter, students will learn about how transnational organized crime has emerged during the last two decades as one of a series of threats posed to national and international security by violent non-state actors. The chapter outlines what is meant by transnational organized crime then examines the rise of the phenomenon, suggesting that its emergence is inextricably linked to globalization and the weakness of states in many parts of the world. The major transnational criminal organizations are subsequently examined, with attention given to their diversity, organizational structures, and portfolios of activities. Illicit markets are also discussed. The chapter ends with a discussion of efforts to combat transnational organized crime, with particular emphasis on the strategy developed by the United States.

Introduction

Organized crime is almost certainly one of the world's oldest professions. As Mark Galeotti has pointed out, 'in ancient Greece, olive growers whose groves

CONTENTS

- Introduction 503
- Organized crime as a security threat 505
- What is transnational organized crime? 506
- Globalization, governance and the rise of organized crime 507
- Transnational criminal organizations 510
- Illicit markets 514
- Responses to transnational crime 517

had been cultivated over generations were prey to protection racketeers. Ancient Rome supported a thriving and complex underworld, from smugglers and counterfeiters to pirates and confidence tricksters' (Galeotti no date). Indeed, roaming bandits were prevalent in medieval Europe, while maritime piracy – which is currently a major problem in the Gulf of Aden and off the coast of Somalia – had earlier incarnations in the Mediterranean, South China Sea, and the Caribbean. It was in the late nineteenth and early twentieth centuries that organized crime emerged more obviously in various parts of the world: in Sicily and then in other parts of Italy; in China where secret societies with political agendas evolved into the Triads; in the United States (where organized crime has gone through a series of ethnic successions including Irish, Italian, Jewish, African-American, Caribbean, Russian, and now Mexican criminal organizations); and in Japan where the Yakuza became politically entrenched. Even so, organized crime was seen as a domestic law and order problem and not something that challenged the fabric of society.

After the end of the Cold War, transnational organized crime emerged as a new security threat. Initially, some critics contended that at most it was a 'boutique' threat. Ironically those dismissing transnational organized crime included 'hawks' who saw security threats exclusively in military terms and 'doves', who dismissed it as an artificial threat, inflated by professional Cassandras looking for a successor to the Soviet 'Evil Empire'. The hawkish assessment was confounded by experience in Iraq and Afghanistan: criminal enterprises engaged in kidnapping and extortion contributed significantly to the prevailing insecurity, while many insurgent groups used oil smuggling or heroin production to fund the struggle (Williams 2009, Peters 2011). In both instances, organized crime undermined efforts to provide sound governance. Similarly, in peacekeeping and post-war contingencies, whether the Balkans or East Timor, organized crime has often acted as a spoiler (Cockayne and Lupel 2011).

The sceptics, in contrast, have only to look at the growth of drug trafficking-related homicides in Mexico during the Fox and Calderon Administrations to recognize how wrong they were. In 2010, Mexico had twice as many drug-related killings as the number of people (civilians and military) killed in Iraq and Afghanistan combined. Even allowing for the population differences, it is clear that the number of violent deaths per hundred thousand in Mexico is on a par with these two war zones. Although Mexico could be dismissed as an aberration, it seems more plausible to suggest that it is simply the most serious example of a security challenge that has become both more urgent and more pervasive than ever before.

The emergence of organized crime as a growing threat to security was acknowledged by the United Nations in 1994 when it hosted the World Ministerial Conference on transnational organized crime in Naples. In 1995, the Clinton Administration also acknowledged the challenge, an acknowledgement enshrined in Presidential Decision Directive 42 and in Clinton's speech to the UN warning about transnational organized crime and calling for enhanced international cooperation to meet the threat. Although the Palermo Convention on Transnational Organized Crime was signed in December 2000,

the attacks on New York and Washington DC on 11 September 2001 moved the focus from organized crime to terrorism. The experiences in Iraq, Afghanistan, and Mexico, however, have suggested that organized crime needs to be at the forefront of attention as it poses threats to security at various levels – the individual, the national, the regional and the global.

Organized crime as a security threat

Threats at the individual level or to ‘citizen’ or ‘public’ security are most obvious in Latin America where many countries have higher homicide rates than Mexico. Levels of criminal violence are also high in parts of Africa. Nor is violence the only issue: human trafficking has become a problem of global proportions with women and children trafficked for commercial sex and men trafficked for forced labour (Cameron and Newman 2008). The argument that organized crime is simply about the provision of illicit goods and services desired by many people ignores the many victims of organized crime.

Threats to the state are particularly serious in Central America. In Guatemala the state is weak, a culture of impunity is pervasive, and Mexican drug trafficking organizations, especially the Zetas Organization and the Sinaloa Federation, have expanded their presence and their conflict. In El Salvador and Honduras, the gang problem is enormous. The Latin American organized crime threat has also expanded to West Africa, which has become a hub for cocaine transshipment to Europe. Groups from Mexico, Colombia, and Venezuela have established a presence in Guinea-Bissau and elsewhere, and have suborned and subverted already fragile governance structures through a mix of corruption and intimidation. Elsewhere in Africa and in regions such as Central Asia, criminal organizations use corruption to facilitate trafficking and to ensure a high level of impunity. Corruption is designed to neutralize or weaken the power of the state (especially law enforcement agencies), to undercut the judiciary, and to gain valuable intelligence. When successful, it provides safe havens from which transnational criminal organizations can operate. In some instances, organized crime develops a symbiotic relationship with state structures, or what Roy Godson (2003) termed a political–criminal nexus.

Transnational organized crime can also be understood as a threat to regional stability and to global norms. Arms traffickers, for example, undermine efforts at conflict resolution and peacemaking, while trafficking in endangered species is seriously undermining efforts to maintain biodiversity. The oil industry in countries as diverse as Russia, Nigeria, Mexico and Iraq has been infiltrated by criminal organizations, while threats from nuclear and radiological material trafficking – although less salient than in the 1990s – have not gone away. Recent increases in food prices and growing concerns over water scarcity suggest that in the not-too-distant future, transnational criminal organizations will have even more lucrative black markets in which to operate.

Yet, because this threat differs from traditional geopolitical threats, it has caught states remarkably unprepared for the challenges they face. This is not

surprising: states historically have been organized and equipped to deal with military threats from one another. Challenges that arise from 'sovereignty-free' actors cannot easily be dealt with through the normal instruments of state power and influence (Rosenau 1990). Transnational criminal organizations are a particularly malevolent type of sovereignty-free actor as they undermine national sovereignty, the integrity of financial and commercial institutions, the propriety of public institutions, and the fabric of societies. They have a damaging impact on the quality of life in many states, especially developing states and those undergoing political transition. Moreover, transnational organized crime has already displayed a capacity to erode international stability by undermining efforts to establish and maintain norms, conventions and regimes in the international system.

While transnational organized crime poses many challenges, has real victims, and causes great social and economic harm (often driving out legitimate entrepreneurship) it is not an unmitigated evil. Organized crime, like youth gangs, flourishes amongst populations that are impoverished, alienated and marginalized. Consequently, some observers have highlighted the 'social contradictions' of organized crime, noting that it can bring benefits as well as inflict harm on economies and societies (Standing 2003). Organized crime in the United States has even been described as a 'queer ladder of social mobility' (Bell 1960: 129). In many other countries it is the only ladder of social mobility and economic advancement. Although many observers are reluctant to admit it, organized crime benefits a lot of people. It can act as a safety net and a safety valve, bring employment to marginalized and alienated populations and even have multiplier benefits in the economy. For states unable to attract foreign direct investment, 'dirty money' (i.e. criminal proceeds) is attractive – and certainly better than no money. Even those who demand protection money sometimes actually do provide a degree of protection to the businesses paying them, in some cases providing the only viable means of dispute settlement (Volkov 2002). As a result, in many countries organized crime is emerging as an alternate form of governance, offering protection, paternalism, and service provision to populations that are socially, politically, and economically excluded. None of this is to suggest that the benefits of organized crime outweigh the costs; it is merely to argue that the balance sheet is not nearly as one-sided as is often claimed.

What is transnational organized crime?

Definitional issues in social science are always problematic and organized crime is no exception. Some observers see organized crime in terms of criminal organizations or criminal enterprises; others see organized crime as a set of activities rather than entities. In a further twist, some definitions offer simply a list of characteristics of organized crime while others try to capture the essence of the phenomenon. Traditional definitions emphasized the hierarchical structure of criminal organizations, although more recently the emphasis has been on criminal networks as a set of horizontal relationships rather than

pyramids of command and control. The term ‘organized crime’ is also incorrectly used as a synonym for ‘mafia’. Many observers, however, are increasingly making a distinction between mafias, which are in the business of private protection and extortion, and the broader phenomenon of organized crime that includes the provision of illicit goods and services, and smuggling or trafficking (Finkenauer 2007). Even accepting this, ‘there are at least two competing definitions [of transnational organized crime] one that focuses on particular groups of people, and one that focuses on particular types of crime. Both definitions have some validity, and neither is sufficient to completely describe the global reality’ (UNODC 2010: 19). Indeed, organized crime can be understood in terms of entities (criminal organizations or criminal enterprises) as well as in terms of the illicit activities that are characteristically used by these organizations but that can also be appropriated by other kinds of actor. Transnational criminal organizations are Clausewitzian in that crime is simply a continuation of business by other means. They systematically adopt criminal activities in pursuit of profit as their ultimate objective and use violence and corruption to assist in this pursuit. It is the distinctive mix of ends and means that distinguishes criminal enterprises from licit businesses. These criminal enterprises are usually pragmatic not ideological, attempt to influence politics only to protect their illegal activities, and generally, use violence in a selective and discriminate way.

Yet organized crime can also be seen as a methodology or a set of activities used by different entities – ethnic factions, organizations engaged in terrorism, insurgent groups, and even some governments – as a way of obtaining funds. For these groups, the ultimate ends are political, but criminal activities are instrumental in funding the political agendas. Some observers argue that the primary focus should be on the criminal markets not criminal organizations. In fact, both perspectives are valuable: it is necessary to understand the dynamics of illicit markets as well as the criminal organizations that operate within them.

Transnational organized crime refers to criminal organizations or activities that cross national borders and, therefore, involve the territories and laws of at least two states. The borders can be crossed by the perpetrators of criminal activities, by the products or commodities they are smuggling, by the proceeds of criminal activity which are typically laundered across multiple jurisdictions, and increasingly by digital signals, whether related to financial fraud and identity theft, to child pornography, or to coercion and intimidation through distributed denial of service attacks using bot-nets. The commodities crossing borders are stolen, counterfeit, regulated, or prohibited.

Globalization, governance and the rise of organized crime

Globalization has a dark underside. By the end of the twentieth century, global linkages and communication webs had become both much denser – not least because technology had reduced the transaction costs – and much more rapid.

Passenger ships had largely been superseded by commercial airlines, the telephone had become both ubiquitous and mobile, and the postal service had given way across much of the world to electronic mail. Some observers have even seen globalization as the compression of time and space. As David Held has pointed out, globalization also involves flows – of people, money, commodities, information, messages, digital signals, and services – around the world. The ‘space of flows’ is now a global space (Held 2000). This is as true of trade – where the inter-modal container has had a profound impact in facilitating the movement of goods and commodities – as it is of the Internet which facilitates the almost instantaneous flow of information and messages. In one sense, of course, there is nothing new about flows, but they have increased in density and speed while the associated transaction costs have shrunk drastically.

Globalization has contributed to the rise of organized crime in several ways. First, it has been as empowering for organized crime as for legitimate business. Even a cursory global review reveals the extent to which criminal organizations have exploited the new opportunities presented by globalization. Russian organized crime, for example, now has a major presence in Israel, the United States, Spain, Mexico, the Caribbean, Thailand, and Macau, while the proceeds of Russian criminal activity have flowed through offshore financial centres in Cyprus, several Caribbean jurisdictions, and South Pacific islands such as Vanuatu, Nauru, and Niue. During the 1990s, Russian and Ukrainian arms dealers sold surplus weapons to competing factions in African civil wars and they continue to exploit any new opportunities. Albanian criminal organizations now control much of the vice trade in London and have become a major presence in Italy, sometimes cooperating and sometimes competing with Italian Mafia organizations. Chinese organized crime has clashed with the Yakuza in Tokyo, while the Hells Angels have fought with rival outlaw motorcycle gangs not only in the United States and Canada, but also as far afield as Scandinavia. Criminal organizations from Pakistan and the Balkans have made their presence felt in Norway, which, historically, has had very little experience of organized crime. Spain has become host to Russian, Colombian, Chinese and Moroccan criminal groups. Nigerian criminals have changed the nature of the drug market in South Africa and have become pervasive in countries as diverse as China, Thailand, Paraguay, Holland and Germany. As noted above, drug trafficking organizations from Colombia, Mexico and Venezuela have moved into West Africa, from where cocaine is moved to Europe.

In an odd way, organized crime can help to mitigate this pain. In zones of social and economic exclusion informal and illegal markets provide critical safety nets while organized crime not only offers one of the few forms of employment, but also provides a degree of governance and even provision of public goods. In the absence of opportunities in the legal economy people simply migrate to the illegal. As James Mittelman (2000: 210) notes, ‘transnational organized crime groups operate below as well as beside the state by offering incentives to the marginalized segments of the population trying to cope with the adjustment costs of globalization’.

There are at least three ways in which states contribute to the rise of transnational organized crime. First, states that are weak, autocratic, or authoritarian provide fertile breeding grounds. Weak states are characterized by low levels of state legitimacy, weak border controls, poorly articulated and/or ineffective norms and rules, the subordination of the collective interest to individual interests, lack of provision for the citizenry, absence of legal regulation and protection for business, weak social control mechanisms, and the inability to carry out typical and traditional state functions with efficiency or effectiveness. Organized crime develops in response to a combination of opportunities on the one side and pressures and incentives on the other. Weak states feed all aspects of this equation, offering multiple opportunities for – and few constraints on – organized criminal activity. Ironically, organized crime can also develop in autocratic or authoritarian states typically characterized by one-party rule, little oversight of the ruling elite, an absence of checks and balances, weak civil society, and the prevalence of patron-client relations. Such states (for example, North Korea, and Serbia under Milosevic) encourage the development of organized crime, exploiting it for their own purposes. In effect, organized crime is co-opted and controlled by the state. The difficulty for many strong states, however, is that they cannot stay strong in perpetuity. When such states become weak – for whatever reason – organized crime is no longer constrained and often experiences a significant expansion. The rise of Russian organized crime after the collapse of the Soviet Union provides a dramatic example.

Second, the state is important to organized crime not for what it fails to do but for what it does. States enact laws, outlaw or regulate certain products, impose taxation and tariffs, set quotas etc., thereby providing opportunities for organized crime. The continued authority and power of the state – to determine what commodities are legal and what are illegal (prohibited or regulated), what activities are permissible and what are outlawed, what products and activities are taxed and how much they are taxed, what can be imported or exported freely – provides incentives for organized crime to circumvent laws and regulations. Peter Andreas has captured the complex dialectic between the state and organized crime, aptly describing ‘the state–smuggler relationship’ as ‘a paradoxical one, defined by irony and contradiction’ and one in which ‘the smuggler is pursued by the state but at the same time is kept in business by the state’ (2000: 22).

Third, states contribute to transnational organized crime and smuggling simply because of the differences among them. These differences – characterized by Nikos Passas as ‘criminogenic asymmetries’ – can be legal, administrative, economic, or financial in character (Passas 1998). Differential laws and regulations offer opportunities for organized crime. States that have high levels of bank secrecy, for example, are a natural attraction for money launderers seeking to hide criminal proceeds. States with high levels of wealth and a large customer base for illicit products attract transnational criminal organizations seeking lucrative markets. Ironically, even if such states have strong border control and effective law enforcement systems, organized crime

will still seek access to their markets, accepting the higher risk because of the higher profits that can be generated. This explains, for example, why many organized crime groups traffic prohibited or regulated products into countries such as the United States, Canada, Japan, as well as the member countries of the European Union. At the same time, transnational criminal organizations prefer to have a home base where the state is weak and the risks are manageable. Operating from safe havens or sanctuaries of this kind, these organizations exploit the 'criminogenic asymmetries' by engaging in jurisdictional arbitrage, seeking out states that have something they can exploit, whether large markets for illicit products, bank secrecy laws, territorial access to smuggling targets (these states become transshipment states), or simply weak laws. It is no accident, for example, that alleged Russian organized crime figures have sued journalists for libel in Britain where the libel laws favour plaintiffs rather than defendants. Nor is it coincidental that criminal organizations (along with terrorist support networks) have congregated in the Tri Border Area of South America where Brazil, Argentina, and Paraguay come together; where laws and rules are weak or absent and borders are easy to cross and re-cross.

Transnational criminal organizations

Transnational criminal organizations in the first two decades of the twenty-first century are diverse in terms of their location and reach, organizational structures, portfolio of activities, bonding mechanisms, degree of power and influence, their use of corruption and violence, and the balance between cooperation and conflict in their relationships with one another. Some are highly secretive in nature and emanate from cultures and sub-cultures that emphasize familial and kinship ties rather than obligations to the state, patron–client relationships, and loyalty to the organization. In some cases, criminal organizations are centred on family; others are based on ethnic networks; while yet others are more cosmopolitan. Some operate through top–down hierarchical structures, while others can best be understood as horizontal networks. Some criminal organizations have clearly defined structures and membership while others are much more amorphous. In a major study of organized crime in the Netherlands in the 1990s, for example, it was discovered that criminal organizations were little more than loosely knit small groups of a few people and characterized by fluid membership; with little trust and lots of defections (Fijnaut *et al.* 1998). At the opposite end of the spectrum are family-based organizations that are tightly knit, resistant to outsiders, and in some cases dominated by a patriarch. This diversity makes the study of organized crime both compelling and difficult. Although specialists in organized crime have argued about criminal structures for many years, there is no single, all-embracing model that fits all circumstances.

Just as organizational structures vary, so do portfolios of criminal activities, with some groups specializing and others involved in a variety of different crimes. The portfolio is more likely to be narrow in the case of Latin American

criminal organizations where the business is drug trafficking and most other criminal initiatives are secondary to the drugs industry or designed to protect it. In Mexico, however, as the government has clamped down on drug trafficking, some organizations have diversified. The Zetas Organization, for example, has infiltrated Pemex (the national oil company), engaged in large-scale extortion, and even imposed taxes on illegal immigrants and counterfeit DVD vendors. Many Russian and Chinese criminal organizations or networks have long had broad portfolios of activities, incorporating many types of trafficking activities on the one side, and crimes such as extortion, theft, counterfeiting, kidnapping, and bank robbery on the other. In some countries, criminal activity also includes cybercrime, which can range from novel ways of committing old crimes such as cyber-extortion to new crimes such as ‘phishing’ or online identity theft, which, potentially, have very large victim pools. Most criminal organizations that are successful also have to engage in money laundering, which is designed to make the proceeds of crime appear to be legitimate. In some cases this requires simply a front company; in others the money is moved through various offshore accounts and parked in bank secrecy havens that are resistant to law enforcement probing.

The other area where criminal organizations differ is in terms of conflict and cooperation. Transnational criminal organizations operate in a competitive environment where they cannot use the legal system for redress, where the potential for violence is ever-present, and where competition either to establish monopolies (especially of force in protection rackets) or market share is endemic. In spite of the prevalence of conflict, however, criminal organizations often work with one another. Although these are often rather fragile relationships with a potential to break down, they can also be critical to the effective functioning of the organizations – providing a means of entry to new markets or new and lucrative revenue streams. In one case of women trafficking in Europe, Russian, Ukrainian, Serb, Albanian, and Italian groups worked together as part of a network that was uncovered by a law enforcement initiative known as Operation Girasole. These patterns of cooperation and conflict are highly dynamic as evident in the Mexican case.

Mexican drug trafficking organizations have always exhibited a degree of competitiveness that quickly spills over into violence. In the last decade or so, however, the violence has expanded and intensified with 15,273 drug-related killings in 2010. Part of the reason is that Mexican drug trafficking organizations have become dominant in the trafficking of cocaine and have replaced the Colombians as the major wholesalers in the United States. This has made the stakes much higher and the competition more intense and more violent. The nature of the drug trafficking organizations has also changed. The Sinaloa Federation, which is socially and economically embedded in the Sierra Madre Mountains, continues to exclusively focus on its superior position in the drug trafficking business. It is also highly expansionist and has challenged other organizations in Tijuana, Nuevo Laredo, and most recently Juarez; cities that are strategically located on the Mexico–US border. Sinaloa’s major rival is the Zetas Organization, which has evolved out of a group of former Mexican

army and airborne Special Forces who were hired by the former leader of the Gulf trafficking organization in the late 1990s and subsequently became the enforcement arm of the organization. The Zetas gradually became independent of the Gulf organization and in 2010 violence broke out between the two groups. Ironically, the Gulf organization, which had long been fending off the encroachment of the Sinaloa Federation, allied with its former enemy to fight its former employees. The Zetas Organization – because of its military training, proficiency in the use of weapons, and tactical skills – has given the competition among the drug trafficking organizations in Mexico a military quality that helps to explain the astounding rise of drug-related killings.

Another important organization is the Knights Templar, a group that evolved out of La Familia Michoacán, which combined a large methamphetamine enterprise with a cult-like quality, and achieved notoriety for beheading its enemies and killing members of the Federal Police. The leader, who had issued his own bible, was killed in December 2010, after which the organization subsequently split into rival factions. The Knights Templar seems to have emerged as the dominant group and exhibits the same combination of messianic religion and criminal behaviour. In other words, the Mexican drug world is a curious combination of strategic competition among big organizations combined with factional splits within some of these organizations.

There has also been an outsourcing of violence, with the Juarez organization employing a local gang, La Linea, to defend its position in Juarez against the encroachment of the Sinaloa Federation. The United States is concerned that some of the violence will spill across the border, a concern driven in part by the presence of major Mexican drug trafficking organizations in many American cities. In some instances these affiliates can be understood as branch offices; in others they are local franchises; and in yet others the relationship is that of supplier and buyer. The other key point about Mexican drug trafficking organizations is that they have expanded to other countries in Central and South America and West Africa and have also developed relationships with Italian criminal organizations.

In Italy, the Sicilian Mafia is no longer the premier criminal organization. It has been superseded by the Camorra, which is based in and around Naples, and by the 'Ndrangheta, which retains its base in Calabria while also maintaining a significant presence in Milan – a major transportation hub and host for a major Expo planned for 2015. Indeed, there have been numerous reports that the 'Ndrangheta has already succeeded in infiltrating companies and obtaining lucrative contracts related to the Milan Expo. The 'Ndrangheta's ability to exploit opportunities of this kind is particularly impressive given that it started as a local mafia organization engaged in kidnapping and extortion in Calabria, one of the poorest parts of Italy. Ironically, the 'Ndrangheta has subsequently developed into a transnational criminal organization with a significant presence in much of Western Europe, the United States, Australia, Canada, parts of Latin America and West Africa. It has become deeply involved in the cocaine trade and reportedly controls much of the drug that arrives in Europe – often through the port of Gioia Tauro.

The port – and the criminal opportunities it offers – has helped the ‘Ndrangheta attain its current status as the most powerful criminal organization in Italy, in spite of the internecine feuds between various clans, one of which spilled over into Duisburg, Germany in 2007, when six men were killed while sitting at a pizzeria. Part of a long-running feud that has become known as the ‘Vendetta of San Luca’, the Duisburg massacre brought the ‘Ndrangheta to the forefront of attention and made it a priority law enforcement target. A major investigation resulted in 300 arrests in 2010 and provided new insights into an organization long believed to be a horizontal network. Anti-mafia investigators in Reggio Calabria and Milan now claim that the ‘Ndrangheta has a clear cut organizational hierarchy reminiscent of the Sicilian mafia.

If the ‘Ndrangheta has something of a global presence, so too does Russian – or as it is more accurately called – Eurasian organized crime. Criminals from Russia, Georgia, Ukraine, Chechnya, and Central Asia are all too often lumped together under the term ‘Russian organized crime’. This is not surprising. Russia has a long tradition of criminality centered on the ‘Thieves’ World’ and criminal authority figures known as the *vory-v-zakone* or ‘thieves professing the code’. The post-Soviet generation of Eurasian criminals, however, not only reflects the diverse nationalities brought together in the Soviet Union, but also is much more entrepreneurial than their predecessors (Serio 2008). The 1990s, when Russian criminals looted resources from much of the former Soviet Union, were characterized by considerable turmoil as criminal organizations fought for control of territory and markets. Contract killings were frequent and the *vory* were decimated by a new generation of criminals (the so-called authorities) who were interested in money rather than status and did not accept the traditional rules. Considerable violence also occurred between ethnic criminal organizations, especially Slavic and Chechen groups. Today, however, the Russian criminal world has achieved a degree of equilibrium and the number of contract killings has declined significantly.

Russian criminals have also developed an extensive presence overseas, typically in warm sunny places, such as the Caribbean, Spain’s Costa Del Sol, Israel, and Thailand. In Western Europe, Russian criminal organizations are mainly involved in activities such as extortion, car theft, and smuggling of art and antiques; as well as trafficking in drugs and women (Kego and Molcean 2011). Russian criminals have also moved into cyberspace, where they have helped to pioneer large-scale credit card fraud, identity theft, and online extortion. The Russian Business Network – which disappeared off the radar in 2007 but is probably still active – is a one-stop criminal service provider and a leader in developing extortion through distributed denial of service attacks.

Nigerian criminals and fraudsters have also been very active in cyberspace where their 4-1-9 or advance fee fraud emails have become ubiquitous. Yet they have also been active in the real world, with a presence in somewhere between 50 and 100 countries. Indeed, since the early 1980s, Nigerians have developed an important global role in both heroin and cocaine trafficking. Nigerian criminals are also heavily involved in the trafficking of women to Europe for the commercial sex trade and reportedly control much of the

prostitution in southern Italy. Nigerian criminal organizations are not particularly violent and tend to operate with fairly flexible structures. Some specialize in drug trafficking or financial fraud, while others appear to move from one crime to another very easily.

While other criminal organizations, including the Japanese Yakuza and various Chinese groups also deserve discussion, even more important is the idea of criminal activities and the fact that terrorists, insurgents, militias and warlords have all appropriated organized criminal activities as funding mechanisms. This is certainly the case with FARC in Colombia, which has become heavily involved in drug trafficking and more recently in illegal gold-mining. Sendero Luminoso protects coca farmers in the Apurimac and Ene river valleys and reportedly supplies Mexican drug trafficking organizations. In Iraq, insurgents used criminal activities (especially oil smuggling; extortion, kidnapping, and car theft) to fund their political and military campaigns, while also establishing links with more traditional profit oriented criminal organizations – especially Iraqi kidnapping gangs which seized hostages and sold them to al-Qa’ida in Iraq (AQI) and affiliated organizations. In Afghanistan, the Taliban has profited enormously from its linkages with the opium and heroin industry while affiliated groups such as the Haqqani network are heavily engaged in kidnapping for profit. Al-Qa’ida in the Islamic Maghreb (AQIM) has long-standing ties to Saharan smuggling gangs and its leaders have more than a decade of direct experience in smuggling everything from weapons to cigarettes. There are also cooperative linkages between criminal and terrorist groups, although they are neither as pervasive nor as strong as often claimed.

Although a focus on criminal (and even political organizations using organized crime) is both appropriate and helpful, it should not be overly exclusive. As a UN study on transnational organized crime observed, ‘For many of these activities, the organizing principle is the invisible hand of the market, not the master designs of criminal organizations. Looking at the world through this broader definition, it is often the groups that come and go, while the market remains constant’ (UNODC 2010: 19). The corollary is that ‘strategies aimed at the groups will not stop the illicit activities if the dynamics of the market remain unaddressed’ (UNODC 2010: v). An analysis of criminal organizations, therefore, can usefully be supplemented by an analysis of illicit markets.

Illicit markets

As suggested above, one of the challenges facing states is that global flows of illicit commodities and even illegal migrants have become so large, diverse, and rapid, that states find it hard to regulate or inhibit them. Part of the reason is that the flow of licit goods has become so huge that illicit commodities can all too easily be hidden within them. These commodities tend to be either stolen (cars, art), prohibited (drugs and strategic nuclear materials), regulated (cultural property and arms), or differentially taxed (cigarettes). In all cases,

differences in national laws and regulations, as well as varying price structures and market opportunities attract a variety of actors. In some illegal markets, transnational criminal enterprises operate alongside and in parallel with individuals and with ostensibly legitimate businesses that are not overly scrupulous about observing laws and regulations. In others, however, criminal organizations dominate. In most, instances, the symbiotic relationships between underworld suppliers and upper-world consumers provide a degree of connivance and collusion that facilitates operations and ensures profitability.

The most important illicit goods are drugs, which have become a problem for an increasing number of societies as many countries that were once involved only in production or transshipment have also developed large consumer markets. According to the 2011 UN World Drug Report, 'about 210 million people use illicit drugs each year, and almost 200,000 of them die from drugs' (UNWDR 2011: 8). In fact, there is no single drug market, but at least four distinct markets. The largest is for cannabis, which was reportedly consumed by 'between 125 and 203 million people worldwide in 2009' (UNWDR 2011: 13). Somewhere between 2.8 per cent and 4.5 per cent of the world population aged 15–64 had used cannabis at least once during the year (UNWDR 2011: 13). The second market in terms of prevalence of use is amphetamine-type-stimulants, which are synthetic and do not depend on cultivation. The third market and the one that is most violent is cocaine, which is supplied by Colombia, Peru, and Bolivia and has large markets in the United States (\$37 billion) and Europe (\$33 billion) (UNWDR 2011: 8). According to the UN estimate, the cocaine market serves somewhere between 14.2 and 20.5 million people aged between 15 and 64. (UNWDR 2011: 16) In 2009, an estimated 378 metric tons are believed to have left the Andean region for the USA, of which approximately 200 metric tons were seized. (UNWDR 2011: 21) The other major destinations were Western and Central Europe. Although mostly this was transported through direct shipments, the success of maritime interdiction has led traffickers to move drugs through West Africa (around 13 per cent of all trafficking to Europe). In 2009 about 217 metric tons of cocaine was shipped to Europe, of which almost 100 metric tons were seized (UNWDR 2011: 21). If these figures are correct the interdiction and seizure rates have significantly improved – although this has increased the intensity of the competition among suppliers and contributed to the increased violence in Mexico. The heroin market in 2009 consisted of 12 to 14 million users worldwide who consumed 375 metric tons (UNWDR 2011:15). Europe and Asia remain the key global consumption markets, and they are largely supplied by Afghan opium, while Mexican and Colombian traffickers supply the US market.

One of the characteristics of these markets is that they are typically populated by both large and small criminal organizations, although this tends to vary at different points in the supply chain. Large organizations (which are often erroneously described as cartels) receive most attention, but the market also allows for a large number of smaller players. In an important study on Colombian drug entrepreneurs in the Netherlands, for example, Damien

Zaitch discovered that although Colombian cocaine firms were engaged in all four aspects of the drug business in the Netherlands – transportation, importing, wholesale distribution, and retail selling – they were largely: ‘informal, small, mutating, and decentralized. Some are individual enterprises; others adopt the form of temporary partnerships between two or three people. These coalitions are often formed solely for a single project, with some of the people involved also engaging in legal activities or in other coalitions’ (Zaitch 2002: 297). This confirms a study of organized crime in the Netherlands done in the 1990s, which concluded that organized crime there was a large, amorphous, dynamic, and constantly shifting network. The broader point is that criminal organizations vary enormously in size and structure.

This is also true in other markets. Two of these markets involve the transportation of human beings. This can be human smuggling (when the aim is illegal immigration and the crime is against the state) or human trafficking (which typically involves coercion and deception and the crime is against the person). In practice, the distinction can all too easily become blurred as those who travel voluntarily (as part of an illegal immigration scheme) can nevertheless be exploited en route or at their destination. Women and children are most often trafficked for commercial sex while men are trafficked for forced labour. Most of the flows of people go from less developed countries to developed countries. Those who do the trafficking and smuggling can range from small, informal, and illegal travel agents to large criminal organizations and networks that are supplying the commercial sex trade.

Illegal arms trafficking represents another major illicit market. The large-scale supply that fuelled wars in Africa during the 1990s was organized largely by key brokers and transporters such as Victor Bout and Leonid Minin, both of whom have since been arrested. The smuggling of guns from the United States to Mexico is fuelled by the availability of weapons at gun shows in the Southwest United States, and the use of straw purchasers or front men working – directly or indirectly – for Mexican drug trafficking organizations. In the case of endangered species, the market is once again very varied, with participants ranging from Chinese triad organizations in South Africa, to individual collectors. Trafficking in art and antiquities is equally diverse, ranging from highly professional criminal organizations that are opportunistic about which products they traffic to groups that specialize in this area, to enthusiastic amateurs. In addition there are very large counterfeit markets in everything from pharmaceuticals to spare parts for airplanes and cars, to DVDs and cigarettes. Some of these markets are very organized and controlled while others are more diverse with lots of individual or small groups participating alongside the more well-known and larger organizations.

To the extent that the organizations are successful and the illicit markets are lucrative, it is necessary to launder criminal proceeds. The essence of the laundering process is to hide the criminal source of wealth and to make the proceeds appear legitimate. This is often done through several stages, usually termed placement, layering, and integration. Sometimes money is not put through the cleansing process completely, however, and is simply moved

beyond the reach of national law enforcement. This is also an area where the criminal world and the licit world intersect as lawyers, accountants, bankers, and other specialists often assist in the laundering process.

Responses to transnational crime

Assessing the response to transnational organized crime is problematic. Gaps in knowledge, the lack of a baseline, and the difficulty of clearly discerning trends make it difficult to know how well the criminals are doing and even more difficult to determine how governments are doing in response. Nevertheless, over the last two decades transnational organized crime has clearly become more diverse, more pervasive, more professional, and more violent than ever before. Mexican criminal organizations exhibit a degree of violence and ruthlessness that eclipse anything that Al Capone did. Capone was perhaps most famous for the St Valentine's Day Massacre in which 7 members of a rival organization were killed. This kind of killing has become a daily occurrence in the Mexican drug violence – and the number of people killed is typically much higher. As suggested above, globalization has empowered organized crime. Indeed, the problem for governments is that, for all intents and purposes, organized crime operates in a borderless world whereas law enforcement agencies still operate under the constraints of sovereignty. Ironically, criminal organizations have also become adept at using borders defensively and launder money through multiple jurisdictions, ensuring that even when law enforcement is able to follow the money it is rarely able to catch it.

Some progress has obviously been made in combating transnational organized crime. The large Colombian drug trafficking organizations based in Medellin and Cali were destroyed in the 1990s; the Sicilian mafia was significantly weakened; and Putin succeeded in restoring the power of the Russian state and constraining Russian organized crime. Yet much more needs to be done. Moreover, even successes against organized crime have a downside, often creating 'vacancy chains' within organizations or markets that in turn generate violence either within or between organizations (Friman 2004).

After 11 September 2001, the United States failed to pay attention to organized crime except where it was seen as working with terrorism. In July 2011, however, the United States issued a new strategy to combat transnational organized crime. This recognized the scope of the problem and established certain priorities for dealing with it. The overarching objective of the strategy is 'to reduce transnational organized crime from a national security threat to a manageable public safety problem in the United States and in strategic regions around the world' (White House 2011: 1). The strategy emphasizes actions the United States can take within its own borders to lessen the threat and impact of transnational organized crime domestically and on foreign partners. The other priority actions seek to: enhance intelligence and

information sharing; protect the financial system and strategic markets against transnational organized crime; strengthen interdiction, investigations, and prosecutions; disrupt drug trafficking and its facilitation of other transnational threats; and build international capacity, cooperation, and partnerships.

The strategy is clearly a large step beyond anything that has gone before. The emphasis on enhanced intelligence is very positive, as is the mix of defensive measures to protect the financial system and offensive measures to degrade criminal organizations. Even though little of this is novel, the very existence of a new strategy will go some way towards facilitating a more effective and coordinated approach among the various departments and agencies of the US government. Yet gaps remain. Little attention is given, at least explicitly, to the need to attack both organizations and markets. And although the rhetoric of building international capacity, cooperation, and partnerships is emphasized, this has not been done very successfully in the period since the early 1990s when transnational organized crime first emerged as a security threat. Moreover, although the strategy recognizes that some countries are part of the problem rather than part of the solution, it does little to suggest how this can be changed. Perhaps most problematic of all, it offers little in the way of new resources to deal with the challenge. United States national security policy in the next decade or so will operate in a highly constrained budgetary environment. In these circumstances, it is unlikely that transnational organized crime will be given the priority the strategy rightly suggests is critical to success.

In the end a lot will depend on the ability of the United States to mobilize support among other countries. The difficulty is that the United States – in the aftermath of an ill-advised war in Iraq and an inconclusive intervention in Afghanistan, with a political system characterized by division, and an economy characterized by slow growth, fiscal restraint and austerity – is unlikely to be in a position to provide the leadership required, whether by example or through aid and assistance. What makes this even more disturbing is the fact that organized crime is ultimately a reflection of the pathologies of globalization and the failures of governance. In the next few decades, rapid uncontrolled urbanization, severe and unpredictable changes in climate, food and water shortages, failing states, energy and resource conflicts, and redistribution of global power, will accentuate these pathologies and failures. Consequently, organized crime will have even greater and more lucrative opportunities – and will pose an even greater challenge to the Westphalian state system. If shortages in food, water, and energy become the norm – and black markets become the most effective system of supply – then organized crime will become even more important, providing not only illicit goods and services but also the very staples of daily life. In these circumstances, in some countries at least, it will go from an alternative form of governance to the preferred form of governance.

Further reading

- Vanda Felbab-Brown, *Shooting Up* (Brookings Institution Press, 2009). An incisive study of the linkages between drug trafficking and insurgency and between counter-narcotics and counter-insurgency.
- R. Thomas Naylor, *Wages of Crime: Black Markets, Illegal Finance, and the Underworld Economy* (Cornell University Press, 2002). A stimulating and provocative collection of Naylor's trenchant writings on organized crime and the illicit market.
- Peter Andreas and Ethan Nadelmann, *Policing the Globe: Criminalization and Crime Control in International Relations* (Oxford University Press, 2006). A well-received study examining the rise of transnational organized crime and international responses by two noted specialists in illicit political economy.
- Cyrille Fijanut and Letizia Paoli (eds.), *Organized Crime in Europe: Concepts, Patterns and Control Policies in the European Union and Beyond* (Springer, 2004). A comprehensive, if daunting, collection that provides detailed coverage of transnational crime in Europe.
- Robert Mandel, *Dark Logic: Transnational Criminal Tactics and Global Security* (Stanford University Press, 2011). One of the few works on organized crime by an international security specialist, this valuable study explores how transnational organized crime uses violence and corruption and how it threatens human, national, and international security.