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Transnational Organized Crime: a global concern

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Background note

Colleagues, friends, ladies and gentlemen,

Thank you to everyone for being here this morning.

I wish to thank *NATO Defense College* for the kind invitation to give a lecture on the affliction of organized crime, in my capacity as the Director of the United Nations Interregional Crime & Justice Research Institute (UNICRI).

Globalization and growing economic interdependence have encouraged and promoted the transformation of crime beyond borders in all parts of the world. Improved communications and information technologies, increased blurring of national borders, greater mobility of people, goods and services across countries, and the emergence of a globalized economy have moved crime further away from its domestic base.

In *A more secure world. Our shared responsibility*, the Report of the Secretary – General’s High Level Panel on Threats, Challenges and Change (2004), it is clearly highlighted that we live in world of new and evolving threats, threats that could not have been anticipated when the UN was founded in 1945. Threats like environmental degradation, State collapse, terrorism and transnational organized crime. All of them can undermine States as the basic unit of the international system. Collective security today depends on accepting that the threats which each region of the world perceives as most urgent are in fact equally so for all.

The threats we face are deeply interconnected. We must therefore found a new security consensus, the first article of which must be that all are entitled to freedom from fear (*In Larger Freedom: Towards Democracy, Security and Human Rights for All*- Secretary-General’s Report for the Summit on MDG-2005). The new consensus should be based also on interdependence among democracy, **security** and human rights. The right emphasis should be put on prevention and respect for the rule of law and human rights. I

feel here the urgency to underline the key importance of partnerships among the UN, regional organisations and Member States. On behalf of Secretary General, let me here stress the fact that if the UN is to be a useful instrument for its Member States, and for the world's peoples, it must be fully adapted to the needs and circumstances of the 21st century.

I would like to focus my intervention today on the spread of transnational organized crime, which increases the risk of all the other threats.

Globalization and the end of the Cold War have thus given international criminals unprecedented freedom of movement, making it easier for them to cross borders and to expand the range and scope of their operations. As a result, virtually every region or country in the world has seen an increase in international criminal activity - as either a source or transit zone for illegal contraband or products, a venue for money laundering or illicit financial transactions, or a base of operations for criminal organizations with global networks. Many regions or countries serve all three purposes for international criminal operations.

The increase in transnational organized crime has severely threatened the economic and social security of communities in recent years. Organized crime is a dynamic concept which keeps adapting to an ever changing environment and to new opportunities of crime. Criminal justice officials today are increasingly being asked to deal with offenses and offenders whose origins and connections lie outside their country. Drugs and drug offenders are the most obvious of these, but by no means the only ones. Transnational crimes include trafficked prostitutes from Southeast Asia or the former Soviet Union; migrant workers being exploited in sweatshops or farm fields; an array of credit card and banking frauds; automobiles stolen for shipment overseas; guns smuggled in an effort to evade regulation; and children trafficked for use by child pornography rings. And the list could go on.

Transnational crime is affected by three related factors:

- **Globalization** of the economy.
- Improved **communications technology**
- Increased **numbers and heterogeneity of immigrants**.

These factors do not "cause" transnational crime. Rather, they facilitate crime, or in some cases, they are criminal opportunities in themselves. For example, immigration does not cause crime. The desire to immigrate, however, may cause people to violate immigration quotas and regulations and may lead to illegal immigration, which in turn is exploited by criminals. Most of the causes of transnational crime are not new; they are, in fact, quite similar to factors that drive crime in general: disparate socioeconomic conditions, which stimulate migration and its antecedent trafficking in persons; the desire for illegal goods and services, which moves crime into the transnational realm when the suppliers are in

one country and the consumers are in another; and the universal greed for money and power.

Emerging trends

As the process of globalization has continued, there has been a diversification in the circumstances prevailing in many countries, in the activities and impact of criminal groups and in the structure and approach within and among criminal groups.

In the last decade, organized crime has evolved rapidly, propelled by the opening of new markets, facilitated by new communication technologies and pressured by law enforcement strikes. In a number of countries a **nexus** has emerged **between organized crime, corruption and terrorism**. Since the end of the cold war, countries with **economies in transition have also become particularly** vulnerable to the growth of organized crime. Conflicts and instability in many regions have been intimately associated with the growth of powerful criminal organizations. War not only generates instability, in which organized crime thrives, but provides opportunity for illicit enrichment, through the creation of profitable markets for smuggled goods.

A second and significant trend in the last decade is the way in which criminal organizations have **expanded into a wide variety of illicit activities**. Many organized criminal groups have diversified their activities and new groups have emerged in several new and specialized sectors. Current evidence suggests the increased involvement of organized criminal groups in the area of fraud, most specifically **fraud** using the Internet and related high-technology crimes. **Trafficking** in persons has developed into a multi-billion-dollar enterprise. Criminal groups now also engage in **trafficking in firearms, cultural objects and natural resources**.

There have also been important **shifts in organizational structures and approaches** of organized criminal groups. Such groups are now less likely to be large, hierarchical organizations. Instead they are likely to be small groups or networks of individuals with specific skills. In parallel with globalization, there has been an explosion of **complex networks of criminal organizations**, whose activities span many countries, where Governments may have different capacities to combat the problem. Criminal groups are also more likely to “outsource” some components of their activities to other criminal groups or to form strategic alliances with both competitors and collaborators.

Organized crime is known for its **diversity, flexibility and capability** to quickly take advantage of new opportunities As well stated in a U.N document:

*“Trans-national criminal organizations are **diverse** in structure, outlook and membership, but all of them operate **across national borders** with great ease and provide formidable challenges to law enforcement at both the national and international levels ...*

*Because such organizations are highly **fluid** and have a **loose structure**, they are able to respond rapidly to law enforcement challenges.”¹*

Most serious organized criminal activities require some measure of criminal collaboration and infrastructure, and this lies behind the formation of organized crime groups and networks. A wide range of structures exists. Some serious organized criminals belong to established groups with clear hierarchies and defined roles, but many are part of looser criminal networks and collaborate as necessary to carry out particular criminal ventures. Such contacts are reinforced by links of kinship, ethnicity, or long association. I will try to provide a brief overview of different types of existing structures later on in my presentation, by focusing on a specific organized crime activity such as trafficking in human beings.

Today criminal organizations are increasingly working together, realizing that it is better to work in cooperation rather than in competition with each other. Let me give some relevant examples of criminal organizations:

Russian Organized Crime

The Russian, together with the Italian Mafia is considered the most powerful criminal organization in the world. Russian organized criminal groups, or *Russkaya Mafiya* appeared in the former Soviet Union territories after its disintegration in 1991. The Russian Mob's own members are well known to call their crime group *organizatsiya* ("The Organization"). Indeed, during the economic disaster and mass emigration of the 1990s, many former government workers turned to crime because desperate for money while others joined the large numbers of Soviet citizens who moved overseas - primarily to the United States. The Mafia became a natural extension of this trend: former KGB agents, sportsmen and veterans of the Afghan and Chechen wars finding themselves jobless but with experience in areas which could prove useful in crime, joined the increasing crime wave.

Russian Organized Crime is **present worldwide – although primarily to the U.S.** - and active in different areas, such as fraud, money laundering, extortion, drug trafficking and counterfeiting. These groups keep their circles of criminal associates tight, sticking to family members or people coming from the same city overseas. Usually, when organization members get arrested, they often just make bail and flee back home.

The criminal groups often target on their own people, not only intimidating them with violence but also threatening to have their families hurt back home.

Example 1: in a federal trial in Chicago, in 2006, a Russian businesswoman testified that two thugs with baseball bats savagely beat her, putting her in the hospital, after she refused to pay the Russian enforcer named Vengerin a "street tax."

¹ World Ministerial Conference on Organized Transnational Crime, *Problems and Dangers Posed by Organized Transnational Crime in the Various Regions of the World* (United Nations, August 18, 1994).

Example 2: Boris Stratievsky the 'professor' of money-laundering for Moscow clients He has been in jail waiting for trial since 2005 - far from his \$5 million Highland Park mansion with its indoor pool and a private walkway to the Lake Michigan shoreline: the father-and-son team were allegedly part of a growing threat in the Chicago area connecting to criminals coming from Russia, Poland, the Balkans and other parts of Eastern Europe, making money any way they can (stealing luxury cars and heavy construction equipment and shipping them overseas, selling drugs and guns to Chicago street gangs, committing mortgage fraud and health care fraud, and trafficking in fake IDs and young women. He had quite a money-laundering network, according to court records, with a Swiss banking contact and mail drops throughout Europe.

Authorities say they think Boris Stratievsky had some high-profile clients, including one who was a member of the Russian Duma, according to court testimony. Investigators say they think Boris Stratievsky plunged some of the money he laundered for his Russian clients into real estate, as court records show.

Despite how Boris Stratievsky made his money, he was successful. He co-owned a Boeing 707 and leased it to an airline. He and his father owned more than \$15 million in real estate throughout the Chicago area.

The father, "Lev "Dollar" Stratievsky, survived the Holocaust to go to Chicago and become a millionaire, going from driving a cab to driving a Mercedes"² .

Japanese Organized Crime

In the era of globalization and in which conformity is highly valued, the Japan's native organized crime group, the **yakuza**³, deliberately refuses to be "hammered down," referring to the frequently quoted national proverb, "The nail that sticks up must be hammered down."

Current yakuza members fall under three general categories: *tekiya* (street peddlers), *bakuto* (gamblers), and *gurentai* (hoodlums). The peddlers and gamblers trace their roots back to the 18th century while the hoodlums came into existence after World War II when the demand for black market goods created a booming industry.

Yakuza members are proud to be outcasts, indeed, the word *yakuza* reflects the group's self-image as society's rejects: in regional dialect *ya* means 8, *ku* means 9, and *sa* means 3, numbers that add up to 20, which is a losing hand in the card game *hana-fuda* (flower cards). Thus, the yakuza are the "bad hands of society."

² From Chicago Sun Times

³ The origin of the yakuza is a matter of debates:

1. descendents of the 17th-century *kabuki-mono*, also known as *hatamoto-yakko* (servants of the shogun): they eventually shifted their focus from community service to theft and mayhem;
2. Modern yakuza members refute this theory and declare themselves to be the descendents of the *machi-yokko* (servants of the town) who protected their villages from the disobedient *hatamoto-yakko*.

The official yakuza history portrays the group's ancestors as heroes who stood up for the poor and the defenseless, just as Robin Hood helped the peasants of medieval England.

In Japan there are 110,000 active members divided into 2,500 families.

The yakuza have a firm and long-standing political alliance with Japan's right-wing nationalists. In addition to the typical vice crimes associated with organized crime everywhere, the yakuza are well ensconced in the **corporate world**. Their influence extends beyond Japanese borders and into other Asian countries, and even into the United States.

The yakuza's offences and crimes reach into many different areas, above all corporate extortion, gambling, smuggling, loan sharking, money laundering, narcotics, real-estate, sports, entertainment, stock manipulation, tourist scams, sex tours, prostitution, slavery, pornography, and gun running.

E.G.: sex industry

- smuggling of pornographic films and magazines into Japan from Europe and America
- controlling prostitution rings holding young women from other Asian countries captive (taste for very young women→national obsession with young women in school-girl outfits complete with short pleated skirts and knee socks)
- buying unwanted female children from China--where the law restricts couples to only one child and the cultural preference is for boys--for as little as \$5,000 and put them to work in network of bars, restaurants and nightclubs
- buying Philippine girls from impoverished villages
- organizing vacation tours to cities like Bangkok, Manila, Seoul and Taipei, where sex hotels offer prostitutes to suit any fantasy of the clients

E.G.: gun trade

- guns prohibited in Japan→Yakuza satisfy the desire of would-be gun owners by owning the prime market
- often trading drugs for weapons (especially automatic handguns from Europe and America)
- they specialize in the production and sales of methamphetamine (given the frenetic pace and competitive atmosphere of Japanese society, speed is the national drug of choice) and the yakuza frequently use it to barter with Western arms suppliers

E.G.: corporate extortion

- meeting men buy a small number of shares in a company so that they can attend shareholders' meetings→ while in preparation for the meeting, they gather damaging information about the company and its officers (secret mistresses, tax evasion, unsafe factory conditions, and pollution are functional). They will then contact the company's management and intimidate to disclose whatever embarrassing information they have at the shareholders' meeting unless they are "compensated."

Another scam is to set up clubs that solicit donations for non-existent causes, such as throwing gala events to which the invited businessmen are expected to bring cash gifts

for their hosts → such events are worth to net more than \$100,000 in a single night (golf tournaments, beauty pageants etc.).

Internationally the Japanese Mafia is mostly active in drug trafficking and arms smuggling.

As an example, the Yakuza smuggles crystal methamphetamine into the United States and smuggles back firearms to Japan.

In Latin America, Japanese Organized Crime is most notably in the illegal immigration business in Mexico and Peru.

Italian Mafia in the Balkans

Because of the geographical proximity to the Balkans, the Italian mafia has become the dominant force of organized crime in the Balkans. Its areas of activity are mostly connected to **trafficking, ranging from illegal weapons and immigrants to drugs and counterfeit products**. The main shipping routes for this trade passes through Albania and Apulia, a province in the south-east of Italy.

Example:

Gerardo Cuomo, accused of being a member of a mafia-style organization, extradited from Switzerland 5 years ago, and a veteran Neapolitan mobster.

He is the linchpin of Europe's biggest cigarette smuggling racket, according to Italian prosecutors and the European Union's anti-fraud office. He has top information on the links of organized crime and has testified that Milo Djukanovic, prime minister of Montenegro, was operating hand in hand with the gangs who smuggle billions of cigarettes into the EU. But he is now being backed into a corner by investigations - two in Italy, one in Germany, one in Brussels, and a lawsuit in New York - which are examining his alleged links with organized crime, his control of the trade in contraband cigarettes from Montenegro's coast into the EU via southern Italy, and his alleged multi-million earnings from an illegal trade that costs the EU hundreds of millions of euros in lost revenue a year.

In Brussels, NATO is investigating alleged links between organized crime, money laundering and terrorism in the Balkans. The European Commission and 10 EU states are suing the US tobacco giant RJ Reynolds for alleged complicity with the mafia in laundering the proceeds of the arms and drugs trades through tobacco rackets.

There may be a way out for Djukanovic. He has agreed to testify in The Hague against Milosevic in the biggest war crimes trial since the Nuremburg tribunal.

The Mexican Mafia

The Mexican Mafia, also referred to as La eMe, (Spanish for the letter "M"), was formed in 1957 by Chicano street gang members incarcerated at the Deuel Vocational Institution in Tracy, California.

The Mexican Mafia's headquarters are located in San Antonio, but its members reach across several jurisdictions, including California, Arizona, Corpus Christi, El Paso, Houston, Dallas, and Midwestern and southern Texas.

In 1992, membership within prison was hovering at 700, while in 1998 it was just under 1,500. Today it continues to rise. Outside of prison, La EME is still very threatening because responsible for 10% of San Antonio's total homicide rate, and an estimated 30,000 total members across the United States.

The Texas branch identifies itself as "Mexikanemi," (Soldiers of Aztlan), or La EMI, while the California branch identifies itself as La EME although they both operate by the same broad title. In addition, southern California's branch of the Mexican Mafia calls itself the Surenos (or Sur-13), as opposed to the Nuestra Familia's subdivision in northern California, the Nortenos.

The Mexican Mafia is a 'criminal organization' that works 'in any criminal aspect or interest for the benefit and advancement of Mexikanemi. They deal in drugs, contract killings, prostitution, large-scale robbery, gambling, weapons and they declare that the only punishment approved by the organization is death⁴.

The Mexican Mafia **operates on a paramilitary structure**, with a president, vice president, and numerous generals, captains, lieutenants and sergeants. Below we may find soldiers, also known as *carnales*, as well as suppliers and associates - whose activities are overseen by the generals. Only one general operates in the federal prison system, while another one operates in the state prison system. The state general appoints a committee of lieutenants and captains who command prison units across the entire state⁵.

⁴ According to Robert Fong (1990), the Mafia's Constitution outlines 12 principal rules.

1. Membership is for life, meaning "blood in, blood out."
2. Every member must be prepared to sacrifice his life or take another's life at any time when required
3. Every member shall strive to overcome his weakness to achieve discipline within the MEXIKANEMI brotherhood
4. Never let the MEXIKANEMI down
5. The sponsoring member is totally responsible for the behavior of the new recruit. If the new recruit turns out to be a traitor, it is the sponsoring member's responsibility to eliminate the recruit
6. When disrespected by a stranger or a group, all members of the MEXIKANEMI will unite to destroy the person or the other group completely
7. Always maintain a high level of integrity
8. Never release the MEXIKANEMI business to others
9. Every member has the right to express opinions, ideas, contradictions and constructive criticisms
10. Every member has the right to organize, educate, arm, and defend the MEXIKANEMI
11. Every member has the right to wear the tattoo of the MEXIKANEMI symbol
12. The MEXIKANEMI is a criminal organization and therefore will participate in all aspects of criminal interest for monetary benefits (Constitution of the Mexican Mafia of Texas).

⁵ Source: San Antonio Express-News, citing a 2005 trial.

Mexican Mafia members exercise their influence in both federal and state prison systems through either violence, or the threat of violence. Members of the gang remain loyal to the criminal organization both in and outside of prison, and particularly in Southern California cities such as Los Angeles and San Diego.

High-ranking members of the Mexican Mafia even when locked in private cells for 23 hours a day, are still able to communicate with their associates, through several methods ranging from tapping in code on prison plumbing pipes to smuggled letters.

New trend

The primary rivals of the Mexican Mafia are Nuestra Familia. Mexican Mafia is also a rival of the Black Guerilla Family prison gang, which holds a loose alliance with Nuestra Familia.

The threat from organized crime is a menace to States and societies, eroding human security and the fundamental obligation of States to provide for law and order. It has profound **social, economic and political consequences**. It **compromises** the **normal function** of economic, government and social institutions. Organized crime can **undermine** democratic processes and corrode trust in public institutions. It is driven by greed and perpetuates itself through addiction, enslavement and the exploitation of human vulnerability.

Serious organized criminals have an excellent and dynamic understanding of criminal markets and are quick to respond to threats from law enforcement measures or rivals and to seize and create money-making opportunities. The current nature of organized crime requires a global response, through increased international cooperation. The collective response to organized crime first and foremost depends on the consolidation and strengthening of the international treaty framework. The primary international instrument to counter the phenomenon is the United Nations Convention against Transnational Organized Crime and its protocols.

The UN General Assembly adopted resolution n° 55/25, namely the United Nations Convention against Transnational Organized Crime (UNTOC) which entered into force on 29 September 2003. The UNTOC is now considered the main international instrument in the fight against transnational organized crime.

The convention requires Member States to take action to increase their capacities through effective coordination and cooperation.

Indeed, the UNTOC is further supplemented by two Protocols, which target specific areas and manifestations of organized crime, and two of them give special emphasis on the

protection of victims, namely, the *Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children* entered in to force on 25 December 2003 and the *Protocol against the Smuggling of Migrants by Land, Sea and Air*, entered into force on 28 January 2004.

Both the Convention and the Protocols are international laws, they are **binding legal instruments** which commit the State Parties to adopt serious measures against transnational organized crime and **the specific crimes** dealt by the Protocol. A State must be **party of the Convention** to be party of the Protocol.

A quick view of the **status of ratifications**.

These instruments are extremely important because they provide a solid ground to fight against transnational organized crime, they give clear definition of the concepts involved, and they provide a broad comprehensive approach which includes identification of crimes, prevention, protection of human rights of the victims, research, training, and enhance international cooperation through extradition, crime control mechanisms, and law-enforcement legal assistance.

The **purpose** of the Convention, as stated in Art. 1, is “*to promote cooperation to prevent and combat transnational organized crime more effectively*”.

Every State requires the cooperation of other States to make itself secure. In order to stop organized crime States must cooperate to fight money laundering, trafficking in drugs and persons, and corruption. State Parties are required to develop **appropriate forms of cooperation**. As an example, cooperation in the sharing of intelligence by States is essential for stopping terrorism. Thus all States have an interest in forging a new comprehensive collective security system that will commit all of them to act cooperatively in the face of a broad array of threats.

Mr. Kofi Annan said “The world must advance the causes of security, development and human rights together, otherwise none will succeed”. The past century has seen the development of the greatest cooperative organization humanity has known. Driven by a shared understanding of global challenges, the United Nations has worked to increase the human security of society, i.e. the millennium development goals the human rights.

The Convention requires Member States to include in their domestic legal systems the following **criminal offences**:

- Participation in an organized criminal group (Art. 5);
- Laundering of the proceed of crime (Art. 6);
- Corruption (Art 8); and
- Obstruction of justice (Art.23).

The recognition of these acts as crimes at the international level is extremely important to prevent criminal organizations from taking advantage of legislative gaps and profiting from lack or inadequate jurisdiction.

For the Convention to be applicable, two requirements are envisaged:

- the **transnational nature** of the above criminal offences. The offence is transnational when the crimes are not only committed but also planned or controlled in more than a single country, or have concrete effects in another State, or because are committed by groups working in more than one State; and
- the involvement of an **organized crime group**.

The Convention provides a clear **definition of organized crime group**, which allows the standardization of practices and penal approaches: “*a structured group of three or more persons, existing for a **period of time** and acting in **concert** with the aim of committing one or more **serious crimes** or offences, established in accordance with this Convention, in order to obtain, directly or indirectly, a financial or other material **benefit**” (Art. 2).*

Among the sectors those that can be identified as new areas of action for organized crime groups, I would like to mention a few in which UNICRI, the Institute I am directing, is currently focusing its attention and developing effective programmes. Given time constraints, I will focus on a couple of sectors, while I will only briefly mention others, but I am of course open to any question you may have.

While the Convention deals with organized crime and some of the major related offences, the Protocols deal with specific forms of transnational organized crime, such as trafficking in human beings, and smuggling of migrants.

The trafficking of human beings and the smuggling of migrants have become two of the **fastest growing** worldwide problems in recent years. Human trafficking has become one of the biggest **criminal business worldwide**, after drug trafficking and trafficking of weapons. The potentially high profits and minimal risks of detection and punishment make trafficking an extremely tempting enterprise in many countries of the world.

Trafficking in human beings (THB) is a multi-faceted phenomenon, **made up of several serious crimes**. It is virtually impossible to commit THB in isolation from other forms of criminal activity, from sale of human beings, to money laundering, counterfeiting of documents and corruption. Local criminal organizations forge relationships with other criminal groups in neighboring and further countries to traffic their victims. The **transnational nature** and the structure of this crime require a comprehensive and

coordinated response at international level. Singular measures or efforts by a single country cannot produce a positive and effective impact.

THB as a transnational organised crime

High potential profits and minimal risk of detection and punishment make human trafficking a tempting enterprise for organized criminal groups in many countries. Whilst the profitability may match that of narcotics trafficking, the penalties imposed if convicted are not comparable.

THB groups exist at many levels, from individuals or small-scale groups of informal criminal contacts to highly complex, international, organized criminal networks.

Small-scale informal networks

Low-level informal networks usually take the form of small groups of individuals within limited **family networks and/or ethnic communities** that extend over borders. Small numbers of victims are trafficked as need arises. The traffickers will often use contacts with family and community members back home to recruit women for brothels or prostitution rings, and younger males and females for labour exploitation. Recruiters usually act as **transporters and exploiters** as well, being **friends or acquaintances** of the future victims. They usually are involved in the **lowest circles of illegal prostitution**.

Large-scale organized criminal networks

Large-scale criminal groups specifically **supply markets of foreign countries and control most aspects of trafficking**, from recruitment and transport to the management of localized brothels and street prostitutes. Some of these groups focus their activities uniquely on the recruitment and transport of victims.

THB functions like a business with a recruitment agency office, document procurement office, transport office and prostitute management office. Traffickers take their jobs very seriously and **professionally**, and often use extreme violence to maintain order. The victims procured are regarded as merchandise or commodities to be traded, much as in a traditional slave trade.

More sophisticated middle-size groups organize the so-called **mobile prostitution**. It consists in moving or rotating trafficking victims from one place to another, both within a country and across international borders. This system ensures that brothel owners and procurers have a constant supply of new persons. Furthermore, the criminal organizations trade or exchange their victims with other organizations, which give them a new identity when the risk of law enforcement grows too high. To this end traffickers need to be supported by a reliable network of sex exploiters, and by **middle-men** in the transit countries that facilitate crossing of national borders by corrupting border control officials or providing forged papers.

Criminal Distribution Networks

More **complex transnational criminal organizations** are those that control and coordinate **every phase of the trafficking** procedure, from the recruitment to the exploitation. The victims may be **sold several times** to different brothels or gangs in different cities or countries, or remain within one ring and be circulated to new markets. These networks are **highly specialized**. Several professional figures, some of which are well-**integrated into legal society**, take part in the business. **Initial investors are often sheltered** and not otherwise directly involved.

All three levels of trafficking exist side-by-side. Often, these networks are the same as those developed for smuggling of people, drugs and stolen goods. Yet, the profit made from THB surpasses that made in drug or arms smuggling, and the risk of detection and arrest and adequate punishment remains much lower.

THB and peace support operations (PSOs)

As well stated in NATO Policy on Combating Trafficking in Human Beings⁶, human trafficking is a “modern day slave trade that fuels corruption and organized crime, bringing with it the potential to weaken and destabilize fragile governments”.

THB escalates during times of armed conflict. Impunity, lawlessness, the collapse of State institutions and the lack of border controls are all factors that allow THB to flourish. Furthermore, the destruction of the economy, family income and family units places women and children at increased risk of being trafficked. Conflict areas may become areas of origin, transit or destination:

- **Sexual enslavement:** Abduction for the purpose of sexual enslavement has been documented in many recent conflict situations. For example, in Angola, the Former Yugoslavia, Sierra Leone, Liberia and the Democratic Republic of Congo (DRC) men and women (including minors) have been abducted and confined, then been forced into prostitution.
- **Forced pregnancy:** Rape and forced pregnancy of abducted women and girls has been used as a tool of ethnic cleansing in the conflicts in Bosnia and Herzegovina and Rwanda.
- **Forced labour:** The exploitation of women and minors' labour is often used to sustain war economies and to humiliate civilians. Abducted women and girls in camps are often forced to work for their abductors. Civilians may also be used to carry out war-related work such as demining and carrying ammunition.
- **Forced recruitment of combatants:** In many internal armed conflicts, parties to the conflict forcibly recruit civilians, often children, to fight for them. The forcible recruitment of civilians has been documented in Sudan, Uganda, Sierra Leone and DRC.

The same factors that allow THB to flourish during situations of conflict are often also prevalent in post-conflict situations.

- **Post-conflict areas as areas of origin for trafficking victims:** Immediately after the implementation of a cease-fire, peace agreement or the deployment of a PSO, there is an increased risk that a particular territory will become an area of origin for THB. Social

⁶ Adopted at NATO 2004 Istanbul Summit.

disintegration and a lack of economic opportunities put women and children at increased risk. Displaced and refugee women trying to return to their homes, or fleeing from camps, are particularly vulnerable.

• **Post-conflict zones as areas of destination:** The demand for prostitution by members of the military is not a new phenomenon: organized criminal groups traffic their victims in such areas mostly for sexual exploitation. It is no surprise that the presence of foreign troops in a post-conflict region creates or drastically enlarges local sex markets. Once the market is maintained by the presence of foreign troops, locals often fuel the market further by becoming clients as well.

Financial crimes such as money laundering, fraud and bribery are one of today's most feared illicit activities, affecting all levels of society. Financial crime is also identified as "White Collar Crime", due to the fact that it is often linked to business and politics, and also because of its non-violent and deceptive nature.

Which role financial crime is playing in today's society is difficult to estimate, as a result of the uncertain origin of the capitals and the dubious path they follow. As an example, **corruption** has become an issue of major political and economic significance in recent years and the necessity to take measures against it has become evident. Communities around the world are demanding more honesty from their governments and holding high-level corrupt officials more accountable. While corruption continues to be an obstacle to development, the international community is making great progress in addressing it. Without a doubt, the international community now shall ensure that the **United Nations Convention against Corruption** - which entered into force on the 14 December 2005 - does not remain a mere text but becomes a functioning instrument.

One of the most widespread financial crimes is **money laundering**.

The goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act. Money laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardizing their source.

Criminals are motivated by financial gain. The single best strategy for weakening organized crime is to eliminate its ability to launder money. Transnational organized crime generates income of about \$500 billion a year, with some sources estimating triple that amount.

Despite the magnitude of these sums and their role in furthering organized crime, many States do not regulate money-laundering. There is a large and growing range of methods for moving money across international boundaries, yet another facet of globalization. This makes it difficult to develop regulations that are truly comprehensive across institutions and that also reflect the risk to society that those different sorts of institutions pose through money-laundering activities.

Indiscriminate enforcement of bank secrecy and the rapid development of financial havens remains a serious obstacle to tackling this problem. The General Assembly is now advocating a comprehensive international convention on money-laundering that addresses these issues.

As mentioned before, the exact damage caused by financial crime is impossible to measure. The estimated amount of laundered money globally in 1 year ranges from 2 to 5% of the global Gross Domestic Product, which is equivalent to \$800 billion to \$2 trillion in current US dollars.

Barrier-free financial infrastructures as well as advancing technology and global communication are increasing the complexity in money laundering-techniques and favoring its development.

Additionally, financial crime is becoming more difficult to counteract, mainly because of the so called "**dollarization**", which describes the use of US Dollars in black market transactions, the global trend towards financial deregulation and the proliferation of financial secrecy havens.

The international aspect of financial crime allows us to find a clear coherence between global security and financial crime. Analyst attested that money laundering techniques are equivalent to those used to conceal sources of **terrorist financing**.

With the conclusion of United Nations Security Council Resolution 1373 in 2001, the international community put financial measures at the centre of its efforts to combat terrorism. In October of the same year, the Financial Action Task Force (FATF)⁷ expanded its mandate beyond anti-money laundering to include countering the financing of terrorism and issued a set of special recommendations on terrorist financing to complement existing standards aimed at countering the laundering of the proceeds of crime.

Money laundering and terrorist financing often display similar transactional features, mostly having to do with concealment and disguise. Money launderers send illicit funds through legal channels in order to conceal their criminal origins, while those who finance terrorism transfer funds that may be legal or illicit in origin in such a way as to conceal their source and ultimate use, which is the support of terrorism.

The United Nations has made numerous efforts, largely in the form of international treaties, to fight terrorism and the mechanisms used to finance it. Even before the September 11th attack, the UN had in place the **International Convention for the Suppression of the Financing of Terrorism (1999)**, which provides⁸:

⁷ Established by the G-7 Summit in Paris in 1989 to develop a co-ordinated international response.

⁸ Article 2.

1. Any person commits an offense within the meaning of this Convention if that person by any means, directly or indirectly, unlawfully and willingly, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out:

- a. An act which constitutes an offence within the scope of and as defined in one of the treaties listed in the annex; or
- b. Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking any active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing an act.

The difficult issue for some countries is defining terrorism. Not all of the countries that have adopted the convention agree on specifically what actions constitute terrorism. The meaning of terrorism is not universally accepted due to significant political, religious and national implications that differ from country to country. Thus, the above definition is the one most countries have adopted for purposes of defining terrorist financing.

Different strategic approaches are being taken in order to control financial crime.

At the international level, financial fraud and money laundering are being criminalized on the basis of **international conventions**, such as the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the United Nations Convention against Transnational Organized Crime. International organizations, such as the United Nations or the Bank for International Settlements, took some initial steps at the end of the 1980s to address the problem. Following the creation of the FATF, regional groupings – the European Union, Council of Europe, Organization of American States, to name just a few – established anti-money laundering standards for their member countries. The Caribbean, Asia, Europe and southern Africa have created regional anti-money laundering task force-like organizations, and similar groupings are planned for western Africa and Latin America in the coming years.

The FATF 40 Recommendations (2003) provide a complete set of counter-measures against money laundering covering the criminal justice system and law enforcement, the financial system and its regulation, and international co-operation.

Furthermore, money launderers have shown themselves through time to be extremely imaginative in creating new schemes to circumvent a particular government's countermeasures. A national system must be flexible enough to be able to detect and respond to new money laundering schemes. Different local actions are being taken directly from the bank in order to counteract financial crime, such as **limiting bank secrecy and identifying and reporting suspicious transactions**.

States can improve the **regulation of professionals** conducting financial operations and offer financial crimes prevention programs as well as **advance international cooperation**.

Counterfeiting is another growing and increasingly dangerous phenomenon. The statistics of seizures for 2006 confirm an existing trend. In 2006, EU customs seized more than 128 million counterfeit and pirated goods and handled more anti-counterfeiting cases than ever before. In 2005, 200 billion US dollars of international trade could have been in counterfeit or pirated products, while 7-10% of all pharmaceuticals products in the world are believed to be counterfeits, reaching a total of 30-40% in certain African countries⁹.

The Report recently produced by my Institute collected data made available by the Taxation and Customs Union of the European Commission to show the increase of seizures of counterfeit goods witnessed by the EU in the recent years: from 68 million goods seized in the year 2000 to more than 128 million goods in 2006.

More attention should be posed on the concept of **profitability**. From an economic point of view, counterfeiting is extremely profitable for organized crime for at least two reasons. Being produced with low quality raw materials, the cost of production of a replicated product is low, while its sale price could well be “not as cheap as we think”, depending on the destination of the replicated product and in particular if it will be offered to a conscious or unconscious buyer. The profit margin is consequently high, possibly higher than that obtainable from drug trafficking.

But the profitability of counterfeiting depends also from the **low level of risk** that is associated with this criminal activity. Sanctions are in fact very often not deterrent and counterfeiting is not considered as a priority by the law enforcers.

But such an immense expansion of the phenomenon would not be possible without the **involvement of organized structures** devoted to the realization of this activity. Attracted by the huge profits and the low risks which are connected with counterfeiting, not only ordinary criminals but organized crime is undoubtedly involved. From an operative point of view, the immense profits deriving from counterfeiting constitute a **source of money ready to be spent in other illicit activities**, like drug trafficking, arms smuggling or even human trafficking. These links have been proven during different criminal investigations. The same investigations confirmed that almost all the major criminal organizations are interested in the management of this illicit business, from the Italian Camorra, to the Russian Mafia, from the Chinese Triads to the Japanese Yakuza. But from the same operative point of view, counterfeiting performs another important function for the criminal organization. It is in fact one of the **preferred means through which proceeds of crime can be laundered**.

⁹ Source: OECD, The economic impact of counterfeiting and piracy, 2007.

The involvement of organized crime brings on the scene an actor which has a **great corruptive and intimidating potential**. Local shops or small distributors are often forced by organized crime to buy counterfeit versions of the products they sell and this practice has, in some cases, replaced the payment of a “protection money fee”. Counterfeiters can in this way infiltrate the licit supply chain and reach the unconscious purchaser.

The profitability and the strategic value of counterfeiting are so important, that it has been turned into a real **mass scale activity**, whose **production and distribution are well structured and organized**. The seizures of great consignments of replicated goods, leave no doubt about the level of organization that is behind this illicit activity.

Counterfeiting makes its own **victims**. They are connected with the numerous negative consequences which derive from its perpetration. **Economic consequences are suffered by producers and by Governments.**

Producers’ losses not only derive from lower sales as a consequence of the existence of cheaper versions of their products on the market. Producers can’t simply compete with the low production costs of their counterfeiting competitors and, in numerous occasions, this unfair and “criminal” competition forced small and middle entrepreneurs to close their activity. Economic consequences are also suffered by Governments. Counterfeit products are in fact produced and traded without any respect for the tax regulations that are in force, creating a loss in taxes and revenues collected by Governments.

Even more alarming are the **social consequences** that derive from counterfeiting. Numerous jobs are lost every year in the World because of counterfeiting while organized crime exploits the work of poor and desperate people to produce fake goods and earn huge profits.

But the most worrisome aspect is perhaps the one related to the **health and safety of consumers**. Counterfeiters replicate almost every product, especially those that are more profitable in consequence of their market share or of their selling price. But some of these products could be extremely dangerous if the production safety standards are not respected. This is the case, for examples, of medicines, toys, electrical components, spare parts for cars and for aircrafts. All these products have been associated with tragic events.

Environmental crime is a serious and growing international problem, with criminals violating national and international laws put in place to protect the environment. It represents a broad category, which includes five main areas of offences:

- illegal trade in wildlife;
- dumping and illegal trade in hazardous waste;
- illegal trade in ozone-depleting substances;
- illegal, unregulated and unreported fishing;
- illegal logging and trade of timber.

The perpetrators of environmental crime may be individuals, loosely organized network of individuals and criminal organizations, such as Cosa Nostra's involvement in the New York's garbage industry or the Ecomafia in Italy. The growing involvement of organized crime and its transnational dimension, linked to the **low risk of detection** – even due to scarce awareness and knowledge of the phenomenon and, consequently, the poor resources assigned to law enforcement; the insufficient regulation of the phenomenon linked to insufficient sanctions; the harm posed to people and natural resources; the high profits behind the phenomenon have become reason of concern for and action by the International Community.

It is also worthy considering the enormous revenues gained by criminal organizations through environmental crimes which are then used to finance other crimes.

Moreover should be emphasized the dramatic and long lasting impact that this kind of crime could have on a determinate territory and on the community which is living within. Emblematic are the cases of Côte d'Ivoire China and India, in which **illegal toxic waste dumping** is posing a tremendous threat for the health of the community and the ecology of the local environment.

Increasing evidence suggests a growing role of organized crime in the trafficking of **protected species of flora and fauna**. The United Nations Environment Programme (UNEP) estimates that the total global trade in animals, plants and their by-products is around \$160 billion per year, based on declared import values, and involves hundreds of millions of plant and animal species. While the proportion of this trade that is illegal is difficult to determine, it is estimated that the financial cost of the illicit global wildlife trade runs into several billion dollars and that its environmental costs are immeasurable.

By the mid-1990s, it is estimated that around 20,000 tons of **ozone-depleting substances** were being traded illegally each year, the equivalent of 20 per cent of legitimate trade. Sophisticated smuggling networks are now said to control much of the trade. In some countries illegal trade in ozone-depleting substances has increased dramatically and a variety of smuggling methods have emerged. Where licensing systems have been effectively implemented, organized criminal groups have resorted to other methods, such as false labeling.

Maritime piracy, even if has been constantly present in criminal history records, is currently becoming an emerging issue due to its wide implications in terms of its social, economical and security impact. It is interesting to note that in 2007 at least 263 pirates attacks have been officially reported, marking thus a clear increment of this kind of criminal activities since 2003. Among many others, it is worth to mention the last pirate attacks against French, Spanish and Italian merchant ships that took place in the Gulf of Aden during April 2008. The positive cost-benefit balance for contemporary pirates is based not only on the overall vulnerability of the target but also on the scarce awareness and lack of proper reporting by the International Community concerning this criminal phenomena.

According to the most up-to-dated analysis, major characteristics common to almost all “successful” pirate attacks are based mainly on **surprise, speed and violence**.

Therefore efficient and effective countering strategies may be designed in order to provide **detection, deterrence and/or active response** to pirate attacks.

All this considered, various **counter strategies** could be developed by the International Community, such as:

- Improving international legislation concerning boarding ships procedures and permissions
- Agreement among countries hosting pirates “safe heavens” (e.g. INDONESIA – NIGERIA – SOMALIA – PHILIPPINES)
- Creation of a permanent task force / rapid deployment team among different law enforcement agencies
- Sponsor/develop Crew Security Awareness and Detection Trainings
- Development and distribution of Anti-Piracy Tracking Devices

The worldwide multiplication of new information and communication technologies also casts a dark shadow: it has made possible new forms of exploitation, new opportunities for criminal activity and indeed new forms of crime.

The conceptualization of “computer-related crime” or similar terms such as “**cybercrime**” has been a topic of debate for the past 30 years. **It should be intended as** conduct proscribed by legislation and/or jurisprudence that (a) is directed at computing and communications technologies themselves; (b) involves the use of digital technologies in the commission of the offence; or (c) involves the incidental use of computers with respect to the commission of other crimes, and hence the computer as a source of digital evidence.

There are a number of forms of computer-related crime that target information and communication technologies themselves, sometimes referred to as the class of **crimes against the confidentiality, integrity or availability of computer systems**. These include forms of theft of telecommunications services and theft of computer services by using diverse hacking techniques (depending on the technology, these include unauthorized access, code and password cracking, digital cloning, credit card skimming and so forth).

Also, it is essential to become aware of how computers are used as instruments or tools to commit crime. There are many variants to **crime associated with the modification of data**—some involving criminal mischief such as electronic vandalism (website defacement) and others constituting professional forgery and counterfeiting. There are websites devoted to “carding” (forging credit cards), which includes making available high-quality counterfeit currency and passports. Theft of data covers a broad spectrum, ranging from information piracy and industrial espionage to copyright infringement (theft

of intellectual property in the form of pirate software, MP3 music files, digital video and so on). Theft of data may not be simply an economic crime; it may also infringe upon privacy and related rights of the individual in emerging crimes associated with identity theft.

Moreover, there is a range of **content-related crimes** that involve computers, particularly the dissemination of illegal and harmful material. Of particular concern is **child pornography**. Although it has existed for many decades (in the form of photographs, magazines, films and videos), there has been a growing tendency since the late 1980s for child pornography to be distributed through a variety of computer networks, using a range of Internet services including websites,

Finally, in recent years, there has been increasing attention devoted to the **relation between terrorism and the Internet**, although here, too, there is a diverse range of activities. There are indications that the Internet is being used to facilitate terrorist financing and as a logistics tool for planning and executing terrorist acts. There is also an increased focus on the role of the Internet in disseminating terrorist propaganda and in the use of the Internet for recruitment.

Since I can see that my time is over, I am compelled to conclude my lecture here, but let me first thank you for your kind attention and wish you good work during the remaining part of this course.