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STRATEGY TO COMBAT TRANSNATIONAL ORGANIZED CRIME

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Transnational Organized Crime: A Growing Threat to National and International Security

Transnational organized crime (TOC) poses a significant and growing threat to national and international security, with dire implications for public safety, public health, democratic institutions, and economic stability across the globe. Not only are criminal networks expanding, but they also are diversifying their activities, resulting in the convergence of threats that were once distinct and today have explosive and destabilizing effects. This *Strategy* organizes the United States to combat TOC networks that pose a strategic threat to Americans and to U.S. interests in key regions.

Penetration of State Institutions, Corruption, and Threats to Governance. Developing countries with weak rule of law can be particularly susceptible to TOC penetration. TOC penetration of states is deepening, leading to co-optation in a few cases and further weakening of governance in many others. The apparent growing nexus in some states among TOC groups and elements of government—including intelligence services—and high-level business figures represents a significant threat to economic growth and democratic institutions. In countries with weak governance, there are corrupt officials who turn a blind eye to TOC activity. TOC networks insinuate themselves into the political process in a variety of ways. This is often accomplished through direct bribery (but also by having members run for office); setting up shadow economies; infiltrating financial and security sectors through coercion or corruption; and positioning themselves as alternate providers of governance, security, services, and livelihoods. As they expand, TOC networks may threaten stability and undermine free markets as they build alliances with political leaders, financial institutions, law enforcement, foreign intelligence, and security agencies. TOC penetration of governments is exacerbating corruption and undermining governance, rule of law, judicial systems, free press, democratic institution-building, and transparency. Further, events in Somalia have shown how criminal control of territory and piracy ransoms generate significant sums of illicit revenue and promote the spread of government instability.

Threats to the Economy, U.S. Competitiveness, and Strategic Markets. TOC threatens U.S. economic interests and can cause significant damage to the world financial system through its subversion, exploitation, and distortion of legitimate markets and economic activity. U.S. business leaders worry that U.S. firms are being put at a competitive disadvantage by TOC and corruption, particularly in emerging markets where many perceive that rule of law is less reliable. The World Bank estimates about \$1 trillion is spent each year to bribe public officials, causing an array of economic distortions and damage to legitimate economic activity. The price of doing business in countries affected by TOC is also rising as companies budget for additional security costs, adversely impacting foreign direct investment in many parts of the world. TOC activities can lead to disruption of the global supply chain, which in turn diminishes economic competitiveness and impacts the ability of U.S. industry and transportation sectors to be resilient in the face of such disruption. Further, transnational criminal organizations, leveraging their relationships with state-owned entities, industries, or state-allied actors, could gain influence over key commodities markets such as gas, oil, aluminum, and precious metals, along with potential exploitation of the transportation sector.

Crime-Terror-Insurgency Nexus. Terrorists and insurgents increasingly are turning to TOC to generate funding and acquire logistical support to carry out their violent acts. The Department of Justice reports that 29 of the 63 organizations on its FY 2010 Consolidated Priority Organization Targets list, which includes the most significant international drug trafficking organizations (DTOs) threatening the United States, were associated with terrorist groups. Involvement in the drug trade by the Taliban and the Revolutionary Armed Forces of Colombia (FARC) is critical to the ability of these groups to fund terrorist activity. We are concerned about Hezbollah's drug and criminal activities, as well as indications of links between al-Qa`ida in the Lands of the Islamic Maghreb and the drug trade. Further, the terrorist organization al-Shabaab has engaged in criminal activities such as kidnapping for ransom and extortion, and may derive limited fees from extortion or protection of pirates to generate funding for its operations. While the crime-terror nexus is still mostly opportunistic, this nexus is critical nonetheless, especially if it were to involve the successful criminal transfer of WMD material to terrorists or their penetration of human smuggling networks as a means for terrorists to enter the United States.

Expansion of Drug Trafficking. Despite demonstrable counterdrug successes in recent years, particularly against the cocaine trade, illicit drugs remain a serious threat to the health, safety, security, and financial well-being of Americans. The demand for illicit drugs, both in the United States and abroad, fuels the power, impunity, and violence of criminal organizations around the globe. Mexican DTOs are escalating their violence to consolidate their market share within the Western Hemisphere, protect their operations in Mexico, and expand their reach into the United States. In West Africa, Latin American cartels are exploiting local criminal organizations to move cocaine to Western Europe and the Middle East. There have also been instances of Afghan DTOs operating with those in West Africa to smuggle heroin to Europe and the United States. Many of the well-established organized criminal groups that had not been involved in drug trafficking—including those in Russia, China, Italy, and the Balkans—are now establishing ties to drug producers to develop their own distribution networks and markets. The expansion of drug trafficking is often accompanied by dramatic increases in local crime and corruption, as the United Nations has detected in regions such as West Africa and Central America.

Human Smuggling. Human smuggling is the facilitation, transportation, attempted transportation, or illegal entry of a person or persons across an international border, in violation of one or more countries' laws, either clandestinely or through deception, whether with the use of fraudulent documents or through the evasion of legitimate border controls. It is a criminal commercial transaction between willing parties who go their separate ways once they have procured illegal entry into a country. The vast majority of people who are assisted in illegally entering the United States and other countries are smuggled, rather than trafficked. International human smuggling networks are linked to other transnational crimes including drug trafficking and the corruption of government officials. They can move criminals, fugitives, terrorists, and trafficking victims, as well as economic migrants. They undermine the sovereignty of nations and often endanger the lives of those being smuggled. In its 2010 report *The Globalization of Crime: A Transnational Organized Crime Threat Assessment*, the United Nations Office on Drugs and Crime (UNODC) estimated that the smuggling of persons from Latin America to the United States generated approximately \$6.6 billion annually in illicit proceeds for human smuggling networks.

Trafficking in Persons. Trafficking in Persons (TIP), or human trafficking, refers to activities involved when one person obtains or holds another person in compelled service, such as involuntary servitude, slavery, debt bondage, and forced labor. TIP specifically targets the trafficked person as an object of criminal exploitation—often for labor exploitation or sexual exploitation purposes—and trafficking victims are frequently physically and emotionally abused. Although TIP is generally thought of as an international crime that involves the crossing of borders, TIP victims can also be trafficked within their own countries. Traffickers can move victims between locations within the same country and often sell them to other trafficking organizations.

Weapons Trafficking. Criminal networks and illicit arms dealers also play important roles in the black markets from which terrorists and drug traffickers procure some of their weapons. As detailed in the 2010 UNODC report *The Globalization of Crime*, "The value of the documented global authorized trade in firearms has been estimated at approximately \$1.58 billion in 2006, with unrecorded but licit transactions making up another \$100 million or so. The most commonly cited estimate for the size of the illicit market is 10% - 20% of the licit market." According to the head of UNODC, these "illicit arms fuel the violence that undermines security, development and justice" worldwide. U.S. Federal law enforcement agencies have intercepted large numbers of weapons or related items being smuggled to China, Russia, Mexico, the Philippines, Somalia, Turkmenistan, and Yemen in the last year alone.

Intellectual Property Theft. TOC networks are engaged in the theft of critical U.S. intellectual property, including through intrusions into corporate and proprietary computer networks. Theft of intellectual property ranges from movies, music, and video games to imitations of popular and trusted brand names, to proprietary designs of high-tech devices and manufacturing processes. This intellectual property theft causes significant business losses, erodes U.S. competitiveness in the world marketplace, and in many cases threatens public health and safety. Between FY 2003 and FY 2010, the yearly domestic value of customs seizures at U.S. port and mail facilities related to intellectual property right (IPR) violations leaped from \$94 million to \$188 million. Products originating in China accounted for 66% of these IPR seizures in FY 2010.

Cybercrime. TOC networks are increasingly involved in cybercrime, which costs consumers billions of dollars annually, threatens sensitive corporate and government computer networks, and undermines worldwide confidence in the international financial system. Through cybercrime, transnational criminal organizations pose a significant threat to financial and trust systems—banking, stock markets, e-currency, and value and credit card services—on which the world economy depends. For example, some estimates indicate that online frauds perpetrated by Central European cybercrime networks have defrauded U.S. citizens or entities of approximately \$1 billion in a single year. According to the U.S. Secret Service, which investigates cybercrimes through its 31 Electronic Crimes Task Forces, financial crimes facilitated by anonymous online criminal fora result in billions of dollars in losses to the Nation’s financial infrastructure. The National Cyber Investigative Joint Task Force, led by the Federal Bureau of Investigation (FBI), functions as a domestic focal point for 18 federal departments or agencies to coordinate, integrate, and share information related to cyber threat investigations, as well as make the Internet safer by pursuing terrorists, spies, and criminals who seek to exploit U.S. systems. Pervasive criminal activity in cyberspace not only directly affects its victims, but can imperil citizens’ and businesses’ faith in these digital systems, which are critical to our society and economy. Computers and the Internet play a role in most transnational crimes today, either as the target or the weapon used in the crime. The use of the Internet, personal computers, and mobile devices all create a trail of digital evidence. Often the proper investigation of this evidence trail requires highly trained personnel. Crimes can occur more quickly, but investigations proceed more slowly due to the critical shortage of investigators with the knowledge and expertise to analyze ever increasing amounts of potential digital evidence.

The Critical Role of Facilitators. Connecting these converging threats are “facilitators,” semi-legitimate players such as accountants, attorneys, notaries, bankers, and real estate brokers, who cross both the licit and illicit worlds and provide services to legitimate customers, criminals, and terrorists alike. The range of licit-illicit relationships is broad. At one end, criminals draw on the public reputations of licit actors to maintain facades of propriety for their operations. At the other end are “specialists” with skills or resources who have been completely subsumed into the criminal networks. For example, TOC networks rely on industry experts, both witting and unwitting, to facilitate corrupt transactions and to create the necessary infrastructure to pursue their illicit schemes, such as creating shell corporations, opening offshore bank accounts in the shell corporation’s name, and creating front businesses for their illegal activity and money laundering. Business owners or bankers are enlisted to launder money, and employees of legitimate companies are used to conceal smuggling operations. Human smugglers, human traffickers, arms traffickers, drug traffickers, terrorists, and other criminals depend on secure transportation networks and safe locations from which to stage smuggling activity or to store bulk cash or narcotics for transport. They also depend on fraudulently created or fraudulently obtained documents, such as passports and visas, to move themselves or their clients into the United States and illegally reside here.

Transnational criminal networks such as organized crime groups, drug traffickers, and weapons dealers at times share convergence points—places, businesses, or people—to “launder” or convert their illicit profits into legitimate funds. Many of these disparate networks also appear to use the same casinos, financial intermediaries, and front companies to plan arms and narcotics deals because they view them as safe intermediaries for doing business. Cash-intensive and high-volume businesses such as casinos are especially attractive, particularly those in jurisdictions that lack the political will and oversight to regulate casino operations or fail to perform due diligence on casino licensees. Illicit networks similarly abuse some of the same financial intermediaries and front companies in regions where government or law enforcement corruption is prevalent, with officials receiving either revenues from the criminal businesses or ownership stakes in the legitimate-appearing commercial entity.

Regional Priorities

TOC—a global problem—manifests itself in various regions in different ways.

Western Hemisphere: TOC networks—including transnational gangs—have expanded and matured, threatening the security of citizens and the stability of governments throughout the region, with direct security implications for the United States. Central America is a key area of converging threats where illicit trafficking in drugs, people, and weapons—as well as other revenue streams—fuel increased instability. Transnational crime and its accompanying violence are threatening the prosperity of some Central American states and can cost up to eight percent of their gross domestic product, according to the World Bank. The Government of Mexico is waging an historic campaign against transnational criminal organizations, many of which are expanding beyond drug trafficking into human smuggling and trafficking, weapons smuggling, bulk cash smuggling, extortion, and kidnapping for ransom. TOC in Mexico makes the U.S. border more vulnerable because it creates and maintains illicit corridors for border crossings that can be employed by other secondary criminal or terrorist actors or organizations. Farther south, Colombia has achieved remarkable success in reducing cocaine production and countering illegal armed groups, such as the FARC, that engage in TOC. Yet, with the decline of these organizations, new groups are emerging such as criminal bands known in Spanish as *Bandas Criminales*, or *Bacrim*s.

Colombia: From Recipient to Provider of Assistance

After years of intensive capacity building assistance in Colombia, the United States is working to transfer financial and operational responsibility for institutional development to the Government of

Colombia. Colombia now is an exporter of law enforcement and justice sector capabilities, providing assistance and advice for police, prosecutors, protection programs, and judiciary, criminal law, and procedure development. This reality is the result of the success of U.S. assistance in Colombian capacity building, a success the United States aims to replicate with other partner states. On July 2, 2008, the world witnessed the extraordinary courage and capability of Colombian forces during their daring rescue of 15 hostages—including 3 Americans—who had been held captive for years in the jungles by FARC guerrillas. The rescue was accomplished without firing a shot.

Afghanistan/Southwest Asia: Nowhere is the convergence of transnational threats more apparent than in Afghanistan and Southwest Asia. The Taliban and other drug-funded terrorist groups threaten the efforts of the Islamic Republic of Afghanistan, the United States, and other international partners to build a peaceful and democratic future for that nation. The insurgency is seen in some areas of Afghanistan as criminally driven—as opposed to ideologically motivated—and in some areas, according to local Afghan officials and U.S. estimates, drug traffickers and the Taliban are becoming indistinguishable. In other instances, ideologically driven insurgent networks are either directly trafficking in narcotics or have linked up with DTOs to finance their criminal actions. The threatening crime-terror-insurgency nexus in this region is illustrated by cases such as that of INTERPOL fugitive Dawood Ibrahim, the reputed leader of South Asia's powerful "D Company." He is wanted in connection with the 1993 Mumbai bombing and is sanctioned under United Nations Security Council Resolution 1267 (Taliban/al-Qa`ida).

Russia/Eurasia: Russian and Eurasian organized crime networks represent a significant threat to economic growth and democratic institutions. Russian organized crime syndicates and criminally linked oligarchs may attempt to collude with state or state-allied actors to undermine competition in strategic markets such as gas, oil, aluminum, and precious metals. At the same time, TOC networks in the region are establishing new ties to global drug trafficking networks. Nuclear material trafficking is an especially prominent concern in the former Soviet Union. The United States will continue to cooperate with Russia and the nations of the region to combat illicit drugs and TOC.

The Balkans: A traditional conduit for smuggling between east and west, the Balkans has become an ideal environment for the cultivation and expansion of TOC. Weak institutions in Albania, Kosovo, and Bosnia and Herzegovina have enabled Balkan-based TOC groups to seize control of key drug and human trafficking routes and Western European markets. The Balkans region has become a new entry point for Latin American cocaine, a source of synthetic drugs, and a transit region for heroin chemical precursors for use in the Caucasus and Afghanistan. Excess weapons are smuggled to countries of concern. Insufficient border controls and the ease of acquiring passports enable the transit of criminals and terrorist figures to Western Europe. Cooperation between the United States and the European Union, as well as bilateral cooperation with the countries in the region to foster legal institution building, economic progress, and good governance in the Balkans will be key to eliminating the environment supporting TOC.

West Africa: West Africa has become a major transit point for illegal drug shipments to Europe and for Southwest Asian heroin to the United States. It has also become both a source of—and transit point for—methamphetamine destined for the Far East. West Africa also serves as a transit route for illicit proceeds flowing back to source countries. TOC exacerbates corruption and undermines the rule of law, democratic processes, and transparent business practices in several African states that already suffer from weak institutions. Due to its lack of law enforcement capabilities, its susceptibility to corruption, its porous borders, and its strategic location, Guinea-Bissau remains a significant hub of narcotics trafficking on the verge of developing into a narco-state. While many officials within the Government of Guinea-Bissau recognize the extent of the drug problem and express a willingness to address it, a crippling lack of resources and capacity remains a hindrance to real progress in combating drug trafficking. The recent re-appointment of U.S. Treasury-designated drug kingpin Jose Americo Bubo Na Tchuto as Naval Chief of Staff is likely to further entrench drug cartels in the permissive operating conditions prevailing in Guinea-Bissau. In the Gulf of Guinea, maritime criminals operate in areas of weak governance, kidnapping oil workers, stealing oil from pipelines, and causing environmental damage that harms the citizenry. The United States will work with African governments, European partners, and multilateral institutions to counter this threat to development, democratic processes, and the rule of law in the region.

Asia/Pacific: TOC networks and DTOs are integrating their activities in the Asia/Pacific region. Due to the region's global economic ties, these criminal activities have serious implications worldwide. The economic importance of the region also heightens the threat posed to intellectual property rights, as a large portion of intellectual property theft originates from China and Southeast Asia. Human trafficking and smuggling remain significant concerns in the Asia/Pacific region, as demonstrated by the case of convicted alien smuggler Cheng Chui Ping, who smuggled more than 1,000 aliens into the United States during the course of her criminal career, sometimes hundreds at a time. TOC networks in the region are also active in the illegal drug trade, trafficking precursor chemicals for use in illicit drug production. North Korean government entities have likely maintained ties with established crime networks, including those that produce counterfeit U.S. currency, threatening the global integrity of the U.S. dollar. It is unclear whether these links persist. The United States will continue to improve its understanding of the TOC threats in the Asia/Pacific region and will work with partner nations to develop a comprehensive response.

