Beyond Compliance: Making the Nexus of Terrorism, Transnational Crime and Corruption Relevant to the Private Sector

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TraCCC and the Private Sector

As a small research center focused on a specific subset of security issues, and part of a much larger School of Public Policy (SPP) at George Mason University, the Terrorism, Transnational Crime and Corruption Center (TraCCC) has an opportunity to bridge between traditional academic concerns regarding security challenges and public policy, and interests of the private sector. TraCCC has established connections to the US national security community and the public sector generally. The emerging connection between TraCCC and the private sector requires new approaches that more clearly relate TraCCC activities to private sector challenges.

As part of that new approach, TraCCC has recently established a partnership with a Swiss NGO – the Foundation of the World Anti-Illicit Traffic Organization (WAITO) whose mission is to address counterfeiting-crime©. Counterfeiting-crime© is the production, distribution, and sale of illicit (counterfeit) products that endanger consumer safety, the economy, and stability. This relationship provides an important pivot-point for TraCCC to move from being primarily a research center for government and academic interest regarding the public security dimensions of crime and corruption to developing a closer connection between TraCCC’s work and priorities, and interests of the private sector. Why make this change?

In TraCCC’s traditional work our researchers have discovered an ever expanding network of criminal and corrupt official behavior that impacts directly on the private sector. Companies are touched by the crime and corruption nexus in unanticipated ways that go beyond compliance to questions of corporate reputation and global business strategies that affect corporate interests and costs. Yet some companies treat this as a compliance issue handled by their specialized compliance departments. The conventional approach of the corporate world is to wait for something bad to happen (e.g. Wal-Mart) that triggers legal consequences and then pursue a remediation or consequence management strategy focusing on compliance. Even those companies in a less defensive posture may not understand the political/economic/social dynamic that has the potential to harm their business. The alternative approach is to proactively prepare the company and its employees to recognize the danger signs – both internal and external – to avoid compliance issues coming into play at all.
Either approach requires that companies address both the compliance and corporate social responsibility aspects and the implications of global trends in crime and corruption as they affect overall corporate strategy. Ideally, a more positive, forward-looking, strategic approach emphasizes social responsibility through identifying opportunities to act ethically and do good that enhance shareholder interests and corporate reputation. Convincing the private sector to make the commitment to such a new approach must address the question: “What’s the payoff?”

The payoff is risk-avoidance through better understanding of the global risks to the company’s operational and strategic environments and cost structure. Specific trends at play today could – if not understood and anticipated in an individual corporate context – trigger damaging and expensive legal and public relations consequences. These include: human trafficking, forced or unfair labor and/or legal practices embedded in the supply chain, environmental crimes, money laundering and other forms of illicit financing, and trade in counterfeit goods ranging from drugs and medicines and distilled spirits to electronic components destined for weapons systems. Some of these are related to drug traders diversifying their business lines or terrorists seeking new ways to finance their evil doing

With its established competence, TraCCC is well-positioned to help the private sector meet these concerns by

- analyzing global trends relating to crime and corruption;
- assessing vulnerabilities in a particular region or sector;
- anticipating new challenges and non-traditional security threats posed by the nexus of terrorism, transnational crime and corruption;
- helping firms with corporate policy initiatives that minimize threats and damage from transnational crime and corruption; and advance social responsibility through corporate public diplomacy; and
- providing tailored executive training programs on emerging trends and developing strategies to comply with legislation (national and international) and non-binding commitments embodied in voluntary corporate and intergovernmental codes of conduct impacting on international corporate activities.

**TraCCC Assets and Tools**

What does TraCCC offer?

First, TraCCC has the proven competence of its research team made up of academic experts and former senior diplomats and government officials. TraCCC Director Shelley’s membership on the World Economic Forum (WEF) Global Agenda Council on Organized Crime provides unique access to global business, academic and business leaders. Through these contacts TraCCC has unique insights on the changing face of international crime and its impact on the global economy. Professor Shelley’s scholarly work on organized crime and human trafficking in particular has attained international recognition. Two former US Ambassadors are part of the TraCCC team, bringing extensive, global and practical experience dealing with the operational challenges facing international business that operate in environments...
where crime, corruption, and terrorism can harm corporate interests. They also have considerable
background as part of the USG policy making community on international economic policy issues. This
unique combination of practical, analytical, policy and academic experience plus TraCCC’s ability to
engage affiliated GMU faculty working independently on these issues provides a powerful set of
capabilities.

Second, TraCCC is an internationally–recognized research center by both government and non-
government sectors. The web of international academic, civil society and think tank connections enable
TraCCC to assemble a global community of expertise to address specific challenges. The alumni of the
TraCCC around the globe provide a vibrant network of individuals with unique insights.

Third, TraCCC is a convener. For example, Dr. Shelley recently engaged U.S. state attorneys general and
members of the corporate world to examine how private-public partnerships can work together
effectively against the scourge of human trafficking.

Fourth, TraCCC has extensive experience in providing focused, practical executive training about
terrorism, international crime, and corruption to US and non-US individuals from government and non-
government entities.

Fifth, as part of GMU’s School of Public Policy, TraCCC benefits from SPP’s modern, centrally-located,
conference and meeting facilities in Northern Virginia’s close-in Arlington County – just two blocks from
the Virginia Square/GMU Metro station. Minutes from Washington D.C., TraCCC represents a unique
platform for training, conducting research and reaching out to the US Government (executive and
legislative branches as well as regulatory agencies), World Bank, think tank, and private sector
communities.

What is TraCCC’s objective?

The objective is to expand TraCCC’s core competencies regarding the nexus of terrorism, crime and
corruption, and show how the private sector can benefit from research and training that only a
comprehensive academic program can provide. Success requires new partnerships inside and outside
the university, and mobilization of resources beyond TraCCC to develop the comprehensive approach.
This is necessary if TraCCC is to address private sector challenges regarding organized crime and
corruption beyond immediate compliance issues, and demonstrate the payoff for companies doing so.

For almost 15 years TraCCC has been a leading US research and policy-focused center for the non-
traditional security challenges posed by terrorism, transnational crime and corruption. TraCCC is well-
positioned to provide government and private sector clients with research, scholarship-based policy
recommendations, graduate education, and executive training focused on the increasingly connected
networks of corruption, terrorism and transnational crime.

TraCCC’s core competency grew out of an internationally-recognized expertise on organized crime and
corruption in Russia and the former Soviet states, especially the South Caucasus and Central Asia. On
behalf of the Department of State TraCCC operates regional research and training centers in Saratov, Stavropol and Vladivostok in Russia. It has also been active in Georgia, Ukraine and Kyrgyzstan.

TraCCC research, in particular that done by TraCCC Director Dr. Louise Shelley, has expanded this competency to address global manifestations of human trafficking and smuggling, illicit financing and money laundering, trade in counterfeit and environmentally sensitive goods, and supply chain relationships. This has led to strong connections with scholars, government officials, think tanks and international institutions in Europe and Asia. TraCCC has developed an international network of like-minded scholars and policy practitioners. TraCCC is further expanding its scope of study to the current wave of popular anti-corruption demonstrations in the Arab world, Russia, South Asia and even the US (Occupy). Specifically TraCCC is examining the causes, leadership, direction and political impact of anti-corruption actions.

TraCCC research and symposia on the growing connection between organized crime and international terrorism have highlighted the direct connection between these phenomena and US national security interests, including the well-being of US citizens and US business interests.

**Where TraCCC Executive Training Fits In**

TraCCC can relate to private sector needs through executive training. As a complement to SPP’s strong program of graduate-level, academic courses relating to terrorism, transnational crime and corruption, TraCCC can develop more focused, flexible educational training opportunities in these areas for both business unit managers as well as upper management executives.

Our private sector target audience will be small and medium-sized companies who are just entering the international arena. Such firms may not have the government relations personnel familiar with these issues, in-house compliance lawyers, or an established corporate social responsibility programs.

The goal of TraCCC executive training would be on increasing corporate understanding of: (a) how global trends in corruption and transnational crime may affect companies’ interests and costs; and (b) how ethical behavior minimizes compliance and corporate reputational challenges facing business in today’s complex international business and security environment.

This training opportunity would target business executives on two levels:

- **Operational:** for business unit managers who deal with compliance, ethics and corporate social responsibility issues in their day-to-day activities.

- **Strategic:** for upper management who need enhanced understanding of crime and corruption trends and how they impact on a corporations’ global strategies and costs.

Participants would develop a forward-looking orientation based on anticipating problems that may emerge in the global setting, and creating a positive corporate image of socially responsive and
responsible behavior. TraCCC can draw on the academic resources of GMU’s Law School, School of Management, and the School of Public Policy; contacts with government institutions located in the Washington DC area (including the World Bank); trade organizations and international law firms; and an international network of scholars and think tanks working on terrorism, transnational crime and corruption.

Elements of TraCCC Executive Training Program for Private Sector

Not every executive training session would be the same. We intend to start out with a one day beta-test of the concept this fall. Depending on the reaction to this approach we would then think about a longer and tailored (say to the needs of a particular industry or corporation) program. Among the elements we could cover in a comprehensive executive training program include:

   a. Nexus of crime and corruption
   b. Regional challenges (e.g. Russia and former Soviet states; China; Africa)
   c. Role of international organizations, especially the World Bank
   d. International regulatory developments, e.g. OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions
   e. Corruption and democratization: impact on international business
   f. Social media and corruption

2. Corporate Response to Challenge: Beyond Compliance

3. Compliance Overview especially FCPA

4. Illicit networks
   a. Sanctions and illicit trade and finance
   b. Political environment underpinning multilateral sanctions regimes
   c. Unilateral sanctions
   d. Human trafficking (domestic and international)

5. Supply Chain
   a. Forced or unfair labor practices
   b. Counterfeit components
6. Trade in Counterfeit goods

7. Environmental crime

8. Corporate strategies: how corporations can respond to these challenges
   a. Socially responsible behavior beyond compliance
   b. Public diplomacy
   c. Developing public/private partnerships
   d. Role of NGOs

Conclusion

Until recently, academic researchers have tended to address terrorism, transnational crime, and corruption issues as discrete challenges to national security, rule of law, and good governance. Corporations have become aware of these issues mainly through contact with the Foreign Corrupt Practices Act. Their focus has been rather narrow concerning legal compliance as opposed to paying attention to the broader – and more competitive – global environment in which international corporations encounter criminal networks and corrupt politicians. Can the academic community use executive training as a way to engage the business community on a broader perspective?

Other activities such as research that can play a role as well. Regarding trade in counterfeit goods, research identifying the connections between organized crime and the financing, production and distribution of counterfeit products would illustrate the risks companies face in this regard. Symposia bring together corporate, NGO and government (US and international) representatives to consider strategies and partnerships to address issues like child labor and related supply chain issues; and trade in counterfeit components in transportation systems.