

# **BEYOND SOVEREIGNTY: ISSUES FOR A GLOBAL AGENDA**

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## **CHAPTER SIX**

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On a sweltering June day, British customs officers inspected a Dutch truck at the British border in Dover. Instead of cargo, they found the bodies of 58 smuggled Chinese men and women inside, apparently suffocated to death in the heat of their sealed container. Testimony in the criminal proceedings revealed that transnational criminal organizations known as "snakeheads," extremely well-organized traffickers of persons from China to countries in Western Europe and other developed regions, charged \$20,000 per head to send the group to Great Britain. The network shipped the people with the efficiency of an international business, flying them from Beijing to Belgrade, then transporting them by auto through Hungary, Austria, France, and the Netherlands before placing the group in the sealed container aboard a trans-Channel ferry. On the same day that the courts found the driver of the lorry carrying the doomed migrants guilty, the British Immigration Service issued a report noting that 7 million people each year used smugglers to attempt entry into the European Union, creating \$12.3 billion in profits for the tracking gangs.<sup>1</sup> **(End Page 143)**

### **INTRODUCTION**

The "global mafia," the "next war," a "pax mafiosi," the "dark side of globalization," the "illicit global economy," the "retreat of the state"-all are recent terms and expressions in the literature of world politics that describe the appearance of transnational organized crime. However, such crime has a lineage that scholars have traced back to the times of pirates on the high seas and the African slave trade. So is this a new phenomenon or something that scholars of world politics have just begun to notice and explore? Furthermore, what makes the phenomenon "transnational"? Finally, what is the significance of using a term such as *transnational* or, in the context of this volume, *transsovereign*?

These are valid and often asked questions about the study of transnational organized crime. In the span of some two decades, practitioners and scholars alike have begun to explore and analyze the different activities and processes that compose the phenomenon, developing and revising definitions as they go along. Furthermore, especially in the scholarly realm, we have attempted to explain transnational criminal groups, focusing both within the traditional analytical

unit of world politics-the state-as well as the state system. Finally, we have sought to identify objects and methods for responding to these criminal enterprises. This chapter will address these important issues while engaging the debates throughout the literature. It concludes by fashioning a framework for composing strategy that will respond to transnational organized crime.

## **TRANSNATIONAL ORGANIZED CRIME**

Over the past two decades, scholarship that addresses the phenomenon of transnational organized crime has blossomed. In the 1990s, the scholarly literature began a more serious focus on transnational organized crime as a phenomenon unto itself, whereas earlier literatures focused on domestic organized crime or organized criminal activities that span borders, such as the trafficking of narcotics. The scholars and practitioners who have contributed to this growing corpus of knowledge have sought to answer fundamental questions: What is transnational organized crime? Why the label *transnational* versus others such as *international*? What kinds of activities compose this area of inquiry? In what ways does transnational organized crime (**End Page 144**) interact with the state? What kinds of approaches are most appropriate for examining transnational organized crime? Each question leads us to important answers that affect the ways we view and approach world politics.

### **Definitional Issues**

One of the first major issues that researchers and practitioners tackled was defining transnational organized crime. The United Nations established the term *transnational crime* more than twenty-five years ago, but it was a catchall term that incorporated some eighteen categories of activity, including terrorism and hijacking, alongside organized crime activities.<sup>2</sup> The distinction between domestic forms of organized crime and transnational organized crime developed from the increased study of narcotics trafficking and the growth in organized crime operating across international borders during the 1980s. The generation of a definition had to overcome traditional and novel hurdles ranging from the minimum number of individuals in a group to the basis for considering a group a transnational criminal entity--decisions that greatly affect the inclusiveness of the definition.

The definition of organized crime has evolved, reflecting the increasing complexity and international nature of the phenomenon. One of the first definitions of organized crime came from US law enforcement, primarily the Federal Bureau of Investigation, which states that organized crime is "continuing and self-perpetuating criminal conspiracy, having an organized structure, fed by fear and corruption, and motivated by greed."<sup>3</sup> With time, the FBI began to use this definition to describe what it referred to as *international* organized crime that is, organized crime groups operating in more than one country. Note, however, that this definition retains the notion of organized crime operating internationally, and it does not seek to identify the criminal activity as a transnational phenomenon.

Thinking of crime as transnational better illustrates the ways in which these criminal organizations seek to operate outside of the state system in essence, transcending the sovereignty that organizes the modern state system and leveraging it for their own gain. One of the first to make this distinction was Phil Williams, who in 1996 demonstrated that organized crime was recasting itself by leveraging the changes in global political economy and society being rendered

by globalization and the technology revolution.<sup>4</sup> What resulted were criminal organizations that came to **(End Page 145)** "resemble transnational corporations" that operated across the globe from a home base using networked structures to perpetuate their activities, all the while seeing borders as hindering law enforcement more than their own activities.<sup>5</sup>

More recently the United Nations Convention on Transnational Organized Crime sought to provide a unified definition that is likely to serve as the benchmark for identifying transnational criminal organizations:

"Organized criminal group" shall mean 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. "Serious crime" shall mean conduct constituting an offence punishable by a maximum deprivation of liberty of at least four years or a more serious penalty. "Structured group" shall mean a group that is not randomly formed for the immediate commission of an offence and that does not need to have formally defined roles for its members, continuity of its membership or a developed structure .... [A]n offence is transnational in nature if. (a) It is committed in more than one state; (b) It is committed in one state but a substantial part of its preparation, planning, direction or control takes place in another state; (c) It is committed in one state but involves an organized criminal group that engages in criminal activities in more than one state; or (d) It is committed in one state but has substantial effects in another state.<sup>6</sup>

The United Nations' definition is one of the most comprehensive, addressing the issue of size, duration, and the transnational nature of criminal groups. Furthermore, it provides the flexibility to examine transnational organized crime outside of such traditional ethnic groups as the Russian Mafiya, Chinese Triads, Japanese Yakuza, and Italian Mafia families.

### **Transnational Criminal Activities**

Transnational criminal activity involves a broad range of activities in both the legitimate and illegitimate sectors of the economy. Some groups function primarily in the illegitimate sector such as drug trafficking groups, **(End Page 146)** whereas others span both sectors of the economy searching for high profits. The massive privatizations of the 1990s have given many transnational organized crime groups a large and important foothold in the economies of their home countries and in many others. Money laundering and corruption, two associated activities, are vital to the conduct of transnational organized crime.

### **ACTIVITIES**

Experts and practitioners have identified more than a dozen criminal activities engaged in by transnational criminal organizations. The major component of most these activities is smuggling of diverse commodities and the provision of illicit goods and services. Narcotics trafficking, as Stephen Flynn details in Chapter 7, is the most common and profitable activity. Many organizations and countries cite narcotics trafficking as the most significant transnational

organized crime in terms of annual profits. Furthermore, scholars such as Pino Arlacchi have demonstrated that narcotics trafficking has often served as the gateway for domestic organized crime groups to enter the transnational realm.<sup>7</sup> Hence, it comes as no surprise that the drug trade is often cited as the most commonly known transnational organized criminal activity.

The next most significant transnational organized crimes are trafficking in persons and in arms. An important distinction characterizes these forms of organized crime. Arms deliveries involve the transfer of inanimate goods that are used to commit other crimes or to arm regional conflicts. In contrast, trafficking in persons involves the movement of live human beings who are exploited continuously after their delivery. Likewise, human trafficking provides ongoing revenues for transnational organized crime, whereas the arms trade, if it is to be sustained, requires the perpetuation of conflict.

Trafficking in persons generally encompasses two related activities: migrant smuggling and the trafficking of persons for the purpose of exploitation. In short, both activities involve the recruitment, movement, and delivery of migrants from a host to a destination state. What separates the two activities, however, is that the traffickers enslave and exploit trafficked persons, while smuggled migrants are often freed at the end of their journey, often after a period of indentured servitude. The profits from such **(End Page 147)** activities are significant and rising. The International Organization for Migration estimates that profits of \$7 billion were made from trafficking in persons in 1997.<sup>8</sup> Crafting even inexact estimates of the number of people trafficked annually is difficult at best, and thus few solid estimates exist. Yet most every expert on trafficking in persons, practitioner and scholar alike, agrees that the problem is significant and increasing as both demand and supply are rising. The rise in demand for cheap services and labor in developed countries and the growth of population in developing countries without adequate employment will result in a rise in this phenomenon in coming decades. Trafficking and smuggling in persons is pernicious because of both the large profits and the physical and emotional toll it takes on the victims. Numerous trafficking studies note the physical violence and mental strain that victims suffer at the hands of their captors. For example, it is not uncommon for these victims to become addicted to alcohol or narcotics, contract HIV and AIDS or other diseases, or die from strain or violence. Those that do survive often face difficult and time-consuming recoveries.

Finally, scholars note that transnational criminal organizations are increasingly engaging in the trafficking in persons. A range of transnational criminal organizations are trafficking in persons, particularly Chinese Triads, Thais, Indian, Pakistani, Russian-speaking, and Balkan organized crime groups.<sup>9</sup> Russian-speaking and Thai groups are particularly active in trafficking in women for the sex trade.<sup>10</sup> Russian-speaking groups often work with their counterparts in Asia and in the Balkans and Western Europe. None of this activity can function without the complicity of some law enforcement and the corruption of officials in source, transit, and destination countries. This telling quote from Kevin Bales also applies outside the Thai context: "To be sure, a brothel owner may have some ties to organized crime, but in Thailand organized crime includes the police and much of the government. Indeed, the work of the modern slaveholder is best seen not as aberrant criminality but as a perfect example of disinterested capitalism."<sup>11</sup>

Arms trafficking is another significant form of transnational organized crime. The rise of regional conflicts in the postwar era has provided transnational organized crime groups with a huge market for small arms. In some cases, transnational organized crime groups help foment regional conflict to increase demand for weapons.<sup>12</sup> This has been particularly true **(End Page**

**148)** in Africa but also applies in the Balkans, Latin America, and Asia. Many of the weapons come from former Soviet states and Eastern Europe. The trafficking in arms has also led to an insidious partnership between military forces and mafia groups, especially in the post-Soviet transition states of Eastern Europe and the former Soviet Union. Graham Turbiville, J r., for example, outlines the ways in which organized crime and the Russian military coalesced after the end of the Soviet Union, going so far as to refer to the Russian armed forces as "mafia in uniform."<sup>13</sup>

Transnational criminal organizations have found a niche supplying arms to areas suffering from continued conflict with small arms and even major arms systems. Organized crime has also positioned itself as the arms supplier of last resort, oftentimes delivering arms to regions under arms embargo. For example, in April 2001, Italian authorities arrested members of a Russian and Ukrainian criminal network that, for more than seven years, had supplied more than 13,500 tons of arms, including thousands of assault rifles and hundreds of missiles and antitank shells, to groups fighting in the Balkans, including the Croatian army.<sup>14</sup> Italian authorities then dismantled a similar Russian organized crime controlled network soon after that was supplying arms to Charles Taylor's forces in Sierra Leone.<sup>15</sup>

The largest profits for organized crime have been in the small weapons area, but the threat of organized crime trafficking in nuclear materials and biological and chemical weapons remains a major concern. Rensselaer Lee III and James Ford have identified organized crime as a potential facilitator for the theft and smuggling of strategic weapons and materials.<sup>16</sup> In the end, transnational organized crime involvement in arms smuggling is a major concern for states and international organizations concerned with maintaining international security and peace.

Smuggling and trade-related transnational criminal activities are a major profit source for transnational organized crime. For example, trade in cigarettes, once a national trade, has been internationalized by transnational criminal groups, who often work with legitimate cigarette manufacturers to obtain their commodities. These links between crime groups and legitimate corporations are now the subject of major criminal investigations within the European community.<sup>17</sup> Such illicit trade also thrives across the US-Canadian border.<sup>18</sup> Furthermore, organized crime groups are important actors internationally in the illicit trade in environmental products, ranging from banned chlorofluorocarbon-based refrigerants to toxic waste (**End Page 149**) and even endangered fauna and flora.<sup>19</sup> Likewise, scholars have identified transnational organized crime as a player in the theft and smuggling of art and antiquities.<sup>20</sup> Finally, there is the smuggling of stolen automobiles, an activity that is especially prevalent in central Europe and the southwestern United States.<sup>21</sup> Roughly \$1 billion worth of stolen vehicles is removed from the United States annually and sent to other countries.<sup>22</sup>

The return of a trade-related organized criminal activity that many had thought was relegated to the past-the piracy of ships in international waters-also involves the activities of transnational criminal organizations. Pirating now benefits from cheaply available global technologies. "One pirate ship captured recently in Indonesia was outfitted with bogus immigration stamps, tools to forge ship documents, and sophisticated radar, communications, and satellite-tracking equipment."<sup>23</sup> According to the International Chamber of Commerce, a piracy incident reporting clearinghouse, ship seizures increased 57 percent in 2000 over the previous year's numbers and were significantly more than 400 percent higher from 1991 numbers.<sup>24</sup> Organized crime is closely linked to these incidents, either conducting the piracy itself or supporting piracy. The benefits for the organized crime groups are significant as they can move cargo and illegal immigrants and engage in insurance fraud. The problem is most

pronounced in Asia but also is common in Latin America and Africa. The crime groups are increasingly focusing on the theft of high-technology cargo.<sup>25</sup> Hijacking of cargo is not confined to the sea. Analysts have identified transnational organized crime involvement in the theft of land-based cargo, such as hijackings of truck and rail cargo.<sup>26</sup>

Many significant transnational criminal activities are now linked to the licit economy. Fraud scams originating in western Africa, primarily Nigeria, use official-looking fax and electronic mail correspondence to obtain banking information from victims that is then used to steal funds from their accounts.<sup>27</sup> Transnational criminal organizations have also engaged in massive credit card and identity theft rings using stolen account numbers and identities to amass millions in fraudulent charges. Recent arrests in Spain of members of a terrorist cell revealed that they supported themselves by producing fraudulent documents and airplane tickets.<sup>28</sup> Al Qaeda profited from heroin trafficking. Therefore, organized crime for profit not only is the domain of criminals who seek profits but also is being used by politically motivated groups. **(End Page 150)**

Crime groups cash counterfeit checks, trade in bearer bonds, and manipulate the stock market in the United States, Canada, and Italy. Asian organized crime groups operating in Las Vegas were earning close to \$500,000 monthly from the cashing of counterfeit checks in casinos.<sup>29</sup> Finally, some organized crime groups in the United States have recently infiltrated the US stock markets, purchasing or creating their own brokerage houses to engage in "pump and dump" and other types of stock manipulations for illicit gains. For example, a recent scandal occurred in Canadian markets with the manipulation of stocks by Russian organized crime in the metals trade. Italian organized crime, according to Italian investigators, is now also active in market manipulation.<sup>30</sup>

Violence and corruption, the traditional methods of organized crime once applied on the local level, are now being applied internationally. Protection rackets, the backbone of domestic organized crime groups, have been retained as an important activity for transnational criminal organizations, who also frequently engage in contract killings for profit or power projection. For example, the use of violence for protection rackets and other purposes is referred to as the "defining characteristic" of Asian organized crime groups operating in the United States.<sup>31</sup> Furthermore, Russian-speaking organized crime groups have used threats of violence to extort Russian hockey players in the National Hockey League.<sup>32</sup> Contract killers have been sent from Russia to carry out their hits and returned home after carrying out their missions.

A significant area of growth for transnational criminal activity is within the realm of information and high technology. Just as pirates are now focusing on high technology cargo, criminals are realizing high profits from pursuing the hardware of technology, and their Internet schemes reveal their capacity to engage in cybercrime.<sup>33</sup> For example, John Picarelli and Phil Williams have identified several ways criminals can use information technology as a criminal milieu, as a tool, and even as a weapon to further their activities.<sup>34</sup> Likewise, a recent conference that examined the ways in which organized crime, terrorist, and other groups use information technology noted that such technology can assist in the conduct of traditional criminal activities as well as serve as the gateway to new criminal endeavors. For example, panelists noted that Nigerian criminal gangs were abandoning fax machines and using e-mail in their elaborate fraud schemes, and that criminal groups were becoming increasingly involved in the piracy of intellectual **(End Page 151)** property such as compact discs and computer software.<sup>35</sup> Finally, Richard Love notes in Chapter 8 how criminal organizations are operating online rather than in the bricks and mortar world.

## Supporting Activities

Transnational criminal activity cannot survive solely in the illicit realm. Its profits must be moved into the legitimate economy to be invested. Furthermore, it requires corruption to function--to fend off arrests, obtain lucrative contracts, and obtain legitimacy in the community.

## MONEY LAUNDERING

Money laundering is a universal and crucial activity for transnational criminal organizations. The previous section described the numerous methods by which transnational organized crime generates profits. These profits remain useless, however, unless the criminal groups can somehow place them into the licit global financial infrastructure without the knowledge of law enforcement or regulators. Hence, almost all transnational criminal organizations engage in some form of money laundering to dispose of their profits.

Money laundering has increased in both scope and sophistication. Although the estimates of global money laundering have continued to prove difficult to quantify, estimates of \$500 billion to \$1 trillion annually is a commonly held figure.<sup>36</sup> More anecdotal estimates provide a basis to demonstrate the significant size of money laundering. For example, in 1995 Australian officials estimated that close to \$3 billion of laundered funds passed through their country.<sup>37</sup> Canada recently estimated that laundered funds from the narcotics industry alone accounted for roughly \$5 billion to \$14 billion annually from Canada.<sup>38</sup>

The methods that money launderers use range from placement in the licit financial sector through phony corporations, bank accounts, and the use of offshore banking centers to less traditional means such as using Internet-based banking and informal banking systems, including the *hawala*.<sup>39</sup> This informal remittance system is used to move funds into and from South Asia and the Middle East, and it has recently gained attention because of its uses by terrorist organizations such as al Qaeda.<sup>40</sup> One study (**End Page 152**) showed that because increases in crime have recently been coupled with a decrease in the demand for currency, money launderers apparently are "moving away from the banking system and cash and toward parallel financial markets, sophisticated nonmonetary instruments (such as derivatives), and possibly barter (such as an exchange of boats and guns for drugs)."<sup>41</sup>

In the end, money laundering is the bridge that connects the illicit and licit global economies. Money laundering uses licit financial markets as a method of transfer and placement for illicit funds. Such activities, more importantly, skew economic indicators and policy in significant ways. Tanzi, for example, demonstrates that large capital inflows and outflows from money laundering affect interest rates, that the demand for dollars from money launderers supports an implicit seigniorage for US currency markets, and that money laundering generates distrust in markets, which then amplifies reactions to rumors or false statements.<sup>42</sup>

In recent years, international investigations have gone after the proceeds of organized crime. In the United States and Switzerland, more than \$1 billion has been seized from drug traffickers and other criminal groups. Most of the proceeds of the drug trade have gone into the national treasuries of the countries where they have been seized. In Italy, unique legislation authorizes the use of seized assets for community development and drug treatment.<sup>43</sup>

## **CORRUPTION**

Corruption is an important tool for organized crime, and transnational organized crime groups have exploited such relationships with politicians and government officials. Put broadly, corruption is "the misuse of office for personal gain" and "means charging an illicit price for a service or using the power of office to further illicit aims."<sup>44</sup> Corruption differs from clientalism in that the latter retains a vertical separation between the patron and is based on an exchange for unspecified services. Corruption blurs the line between the state and transnational criminal organizations. Some states are so thoroughly corrupt that scholars refer to them as criminal states.

Two significant and related phenomena are important for our purposes--political and economic corruption. Political corruption has received strong consideration in the literature. Only recently, however, have the links between political corruption and organized crime been **(End Page 153)** analyzed--for example, the differing views on the connections between corruption<sup>45</sup> and political parties.<sup>46</sup>

Economic corruption hinges on the desire for industries to collude and establish cartels within markets, as when firms use organized crime to organize and maintain cartels among them.<sup>47</sup> Still, virtually no study has tackled the thorny issue of corruption within the sector of international development aid--a significant oversight given recent scandals involving skimming from aid contracts.<sup>48</sup>

For what ends does organized crime engage in corruption? To answer this, we refer to the triangular relationship between organized crime, the state (i.e., government), and firms.<sup>49</sup> Organized crime provides electoral support and intimidation powers to politicians in return for protection and legitimization of its activities. Likewise, organized crime provides protection and assistance with cartels in return for money. Finally, an important part of this equation is public contracts, which politicians can use to seek rents from both firms and criminal organizations. In turn, these contracts are a major source of mafia profits. Hence, corruption is a key factor to consider when we analyze the behavior of transnational criminal organizations.

## **EXPLAINING TRANSNATIONAL ORGANIZED CRIME**

Transnational crime, once neglected in the study of International Relations, is now studied in different parts of the discipline because of its far-reaching effects on political systems, national sovereignty and international political economy. The relationship between transnational crime and the state is central to this entire analysis. The following section surveys some of the approaches to studying transnational crime. Such crime can be considered from two levels of analysis: the community level and the international level with globalization.

A significant difference exists between the strategic studies literature that identifies transnational organized crime as a threat to the industrialized world and world order and the literature that focuses on the societal level at which transnational organized crime operates, shaped by the local community. Whereas organized crime has proliferated with globalization, many of the groups are still deeply entrenched in their home societies where their effects are particularly strong. It is important to consider both aspects when calculating effective responses. **(End Page 154)**



### **Internal Analysis: Trust and Civil Society**

Organized crime usually develops and operates in areas where civil society is weak or nonexistent. For example, in a landmark study Robert Putnam describes how civil society arose in northern Italy but failed to take hold in southern regions where four organized crime groups are based.<sup>50</sup> In another example, Russian-speaking organized crime has emerged with potency in the states of the former Soviet Union where the communists wiped out all elements of civil society.<sup>51</sup>

Other related factors are trust in intrapersonal societal relations and the effects of trust on governance.<sup>52</sup> Weak states have poorly formed civil societies, which leads to a lack of trust in the state and a dependence on surrogate actors to address civic needs. For example, organized crime in Sicily arose when state control was absent; organized crime substituted itself for the state and provided the protection that substituted for trust in society.<sup>53</sup>

Trust and civil society factors help explain how transnational criminal organizations embed themselves within societal structures. A successful response must consider the societal context within which crime groups operate, particularly within the state, and at the local level where they are based. For example, Sicilian society has mobilized against the Mafia for the past century.<sup>54</sup> In recent decades, the movement has mobilized all levels of society simultaneously and has attempted to reeducate citizens at the local level on the need for alternatives to the Mafia. The primary objective of nearly all the anti-Mafia associations is to educate children to know and respect the law and to prevent them from acquiring a "Mafia mentality" of distrust and antagonism towards public institutions which may lead to a life of crime.<sup>55</sup> Such programs were introduced in the early 1980s by the first anti-Mafia groups but obtained additional impetus in the early 1990s in response to the Anti-Mafia Commission and the pressures of the mass anti-Mafia organizations of civil society. Libera, the umbrella of 800 nationwide anti-Mafia organizations, works with urban communities, schools, and the Church to implement anti-Mafia curricula.<sup>56</sup>

### **External Analysis: Globalization**

Globalization is a key factor in the rise of transnational organized crime. There are several competing notions regarding how to theorize trans-nationality, marking a different way to configure social spaces.<sup>57</sup> **(End Page 155)** Transnational organized crime cuts across the globalization discourse, ranging from notions of informal markets and new authoritarianism to ideas about global criminal networks.<sup>58</sup> The majority of the globalization literature captures transnational phenomena as dynamic, cross-sectoral, and embedded in global markets, making the concept more than a new level of analysis.

Globalization provides a theoretical boost to historical notions of national or international organized crime, emphasizing the ascendance of nonstate actors as legitimate objects of political inquiry. However, the concept of globalization is far from a settled theory and stirs great debate, ranging from downplay, through social transformation, to near chaos or turbulence.<sup>59</sup>

The categories of state, economics, and institutional structures are useful for capturing the majority of analysis on transnational organized crime in the globalization context. Globalization benefits the capabilities, resources, and strategies that are available to transnational organized crime.

The neoliberal understanding of globalization stresses the role that global free market capitalism and representative democracy play in making the world richer, more connected, and peaceful, as represented in the writings of Francis Fukuyama and traditional political economic interpretations.<sup>60</sup> In this light, transnational organized crime and other similar issues often are seen as the last vestiges of resistance to this "new world order" that eventually will be brought under control.<sup>61</sup>

## **STATES**

What effects are globalization processes having on the modern state? These academic discussions directly affect our consideration of transnational organized crime. For example, Saskia Sassen posits that globalization is transforming the logic of sovereignty without eliminating the role of the state,<sup>62</sup> a view shared by James Mittelman and James Rosenau. Combined with weak state scenarios, such as Robert Jackson's concept of "negative sovereignty" and Susan Strange's "retreat of the state," these provide the theoretical backbone for analyzing transnational organized crime and corruption in the globalization context.<sup>63</sup>

Most often, scholars have posited that the weakening of state structures, either caused or enhanced through globalization processes, has created spaces that have allowed transnational organized crime to flourish.<sup>64</sup> Louise Shelley has examined the interplay of weakened states, civil society, and **(End Page 156)** transnational organized crime, viewing criminal groups as taking advantage of new technologies and global opportunities to amplify the weakening of states.<sup>65</sup> Nikos Passas finds that the demise of states is a necessary part of the globalization process because it erodes the bonds of trust between state and citizenry and provides transnational organized crime with the opportunity to play surrogate for the state.<sup>66</sup> Peter Andreas points out how globalization processes, embodied in the form of NAFTA, directly affected the increase of transnational organized crime in Mexico by liberalizing markets without sufficient regulation and oversight.<sup>67</sup>

## **ECONOMY**

The political economic approach addresses how the "illicit global economy" affects the state and the licit economy.<sup>68</sup> For example, the illicit Colombian economy distorts the legal economy.<sup>69</sup> Economic markets shape transnational organized crime, taking organizational form based on the economic context.<sup>70</sup> Transnational business strategies of the illicit actors increasingly mirror those in the licit economy. Specialists such as lawyers, accountants, and transportation experts now work for organized crime as they do for the legitimate economy.<sup>71</sup>

As the share of the international economy controlled by organized crime increases, there will necessarily be more attention to the political economy of the drug trade and other diverse forms of illicit activity. Especially since September 11, the interaction of the illicit and licit economies is receiving greater attention.

## **Hybrid Analysis: Security Studies**

The security studies literature views organized crime as a threat. Its involvement in the weapons trade, its deleterious effects on state sovereignty, and its corruption of state structures are seen as serious threats to individual states, regional stability, and the international order. Security scholars have used several methods to explore the threat transnational organized crime poses to people, the nation-state, and global stability. Researchers of the "Copenhagen School" focus on how threats are formed and the effects they have across the social experience,<sup>72</sup> providing a flexible approach for looking at a broader spectrum of threats.<sup>73</sup> The military and state continues **(End Page 157)** to be an important sector, but they are evaluated in conjunction with the economic, societal, and environmental sectors. Transnational organized crime and other negative consequences of globalization are seen as a cross-sectoral threat.

Phil Williams believes the organizational technology of networking has led to the most prolific advancement of transnational organized crime. These transnational organized crime network structures crisscross state borders and institutional boundaries, creating a nearly indecipherable web of nodes and illicit relations. These networks tie into other related networks in this clandestine space, increasing transnational organized crime's capabilities to resist interdiction and, in some cases, launch offensives against coercive state institutions.<sup>74</sup>

Transnational organized crime as a security threat appears most prominently in the literature of asymmetric threats, a view that has obtained more currency since September 11, 2001. Rogue states, terrorist networks, and transnational organized crime enter into alliances, creating asymmetric military threats that exploit the globalization of democracy and free market capitalism. Much of the analysis of these asymmetric alliances focuses on their capacity to acquire and deploy weapons of mass destruction.<sup>75</sup> Such plans or activities must be met with strong force because they are seen as threats to the survival of the West. The events of September 11 make this argument much more palatable to some, especially as evidence grows concerning the global reach and integration of the al Qaeda network.

## **MULTIPLE APPROACHES ARE NEEDED**

Transnational crime operates on the global level but is embedded in many societies at the local level. International policies that address transnational crime at only a single level are doomed to failure. As the previous analysis has indicated, a multidisciplinary perspective is needed to understand transnational crime—one that incorporates economic, social, political, and strategic studies analyses. Yet these perspectives must also include an understanding of the historical and cultural context that led to the rise of organized crime groups in particular locales. Transnational crime has local and global, societal and state components. Effective responses to manage transnational crime must deal with each of these elements. **(End Page 158)**

Globalization helps to turn once locally and regionally contained phenomena into transnational crime problems. The profits and effects of these groups are so significant in some regions that they pose threats to nation-states and undermine the national sovereignty of many countries. The global illicit trade has assumed massive proportions, and its effects are particularly great in smaller economies where the profits of this illegal trade can undermine and distort the economy. For example, tax rates escalate as the size of the illegal economy grows. Because less economic activity is conducted in the sphere where states can levy taxes, states raise rates on the remaining licit economy to recoup lost tax income and sustain government

budgets. In a vicious circle, government's attempts to sustain its revenue base can push more businesses into the illicit economy (through fraud, tax evasion, and transfer pricing) to avoid the high tax rates in the licit economy. Weakened state treasuries reduce the resources that are available to states to fight organized crime.

Organized crime is necessarily, in part, a covert phenomenon. Therefore, analysis and information on the phenomenon is partial and often misinterpreted by individuals who do not understand the context in which it functions. Policy makers from one arena—law enforcement, economics, or security studies—often believe that their perspective holds the "answer" without understanding that a multidisciplinary approach is needed.

Effective strategies to control and contain transnational crime cannot address only one aspect. For example, as peacekeepers have discovered in the Balkans, Colombia, and elsewhere, transnational crime groups are now the defining actors in the political environment. Traditional military strategies cannot be used to contain their activities. As anti-Mafia activists have discovered in Sicily, the legal system can prosecute and isolate the Mafia bosses, but civil society must change community attitudes toward organized crime and must prove to the citizens of their island that there are tangible benefits for them in fighting organized crime.

## **CONCLUSION: A WAY AHEAD?**

We propose the following framework for addressing the transnational organized crime problem through a dynamic and multidisciplinary perspective. First, any serious researcher or policy maker must ask the following (**End Page 159**) questions before developing a policy. What is the process of social transformation at play? What unique and general aspects of a particular manifestation of transnational organized crime are present in the local context, and how are they embedded within it? How does the transnational crime group connect with regional, international, and multilateral actors of the legitimate and illegitimate economy? To what extent does the community understand the problems of transnational crime and have the willingness and the capacity to help address the problem? What are the costs on the local, regional, and national level of the group's continued criminality?

Because globalization reshapes both international dynamics and the local community, attempts to manage transnational organized crime must acknowledge both levels. Part of this process of social transformation is that time, space, and boundaries are collapsed or compacted. Relationships on an international scale occur more rapidly and commercial relations are more frequent. The illicit can be facilitated and more easily commingled with the licit. On the local level, culture, ideas and society are affected. Local control can be challenged in weak states (places where significant social upheaval exists), which leads to deeper divisions. Therefore, transnational groups face fewer obstacles on the local level and more ability to operate in the global economic environment.

Individual states cannot solve their problems alone. Whether one considers the rise of the European Union, the collapse of border controls of the once territorially immense Soviet state, or the rise of regional conflicts that blur national distinctions, states alone are less important. All of these changes have provided opportunities for transnational crime to work and to expand its operations. With globalization, the central state in many countries has become a less effective institution of control. It cannot sufficiently absorb the shocks, limit the dislocations, or regulate

the transformation. Deepening local insecurity further strains the bonds of trust between state and citizen.

Under these circumstances, resistance to social transformation, like that found within globalization, can create the space for the proliferation of organized crime and corruption in a given locale. Local control is assumed, and services are rendered through an informal transaction between people playing the roles of criminal and citizen in exchange for certain rents and permissions. Crime groups based in the local community are not impervious to the logic of global social transformation, which changes the organization (**End Page 160**) and its methods of operation. The transformation of organized criminality into a transnational phenomenon is often a logical response to the effects of globalization on the local level.

Understanding transnational crime at the different levels at which it operates requires the engagement of many different sectors of the policy and legal communities, civil society, and the media. Transnational crime groups often provide services at the local level and fulfill demands for illicit commodities and cheap services at the international level. Therefore, any strategy to address transnational crime must convince individuals that it is not in their interest to support or be complicit in its operations. To achieve this objective, media must be mobilized, independent, and supported in their efforts to report on this phenomenon. Civil society must be mobilized to address transnational crime, a mobilization that often comes only with enormous personal loss and even tragedy. Finally, legal measures must be harmonized. This includes both the criminal codes and the procedures needed to combat transnational crime. For example, much has been achieved in this area in money laundering, but the passage of needed legislation is not sufficient. Unless implementation strategies are achieved, laws remain on the books and have no practical effects.

A resource and intelligence gap divides the capacity of developed and developing and transitional countries from addressing the range of problems caused by organized crime. Affluent societies have the legal tools, personnel, and intelligence resources to pursue transnational criminals. Less affluent societies that are faced with critical health, social welfare, and other concerns often cannot allocate the financial and human resources to address transnational organized crime. Unless strategies address the enormous capacity gaps that exist between developed countries and the rest of the world, there can be little success in achieving a global effort to address this issue.

Transnational crime groups are major actors in areas with significant regional conflicts. The demand for arms and quick profits and the lack of territorial control are fertile grounds for the rise of organized crime. Unless military and peacekeepers begin to integrate the problem of transnational crime into their strategies for conflict management, the problem will undermine conflict resolution and post-conflict stability.

The organized crime and corruption issues have not traditionally been part of the discourse of international relations, strategic studies, or economic development. Until these elements are integrated into these disciplines (**End Page 161**) and policy planning, organized crime will continue to proliferate. Incorporating these problems into the needed framework is not a guarantee of success, but the failure to address them ensures their continued growth.

Transnational crime and corruption are not merely peripheral problems. They are central issues that need to be treated as such. September 11 was a wake up call. Although terrorism is distinct from transnational organized crime, the ability of terrorists to support themselves through transnational criminal activity provides an important lesson. Transnational crime has repercussions that far exceed the individual crime of document fraud, criminal abuse of the

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