



The Paul H. Nitze School  
of Advanced International Studies

1717 Massachusetts Avenue NW  
Washington, DC 20036  
202.663.5880 / 202.663.5879 fax  
<http://transatlantic.sais-jhu.edu>

Center for Transatlantic Relations



November 2014

## Global Flow Security Working Papers

### *Chapter 10*

### Global Trends 2030 and Illicit Flows

*Louise Shelley<sup>1</sup>*

#### **Introduction**

The illicit flows observed in the transatlantic region are just part of a larger phenomenon observed globally. Precisely as Tomas Ries notes that transnational corporations are acting on a global scale moving goods and people, a parallel phenomenon is occurring in the illicit arena. The illicit often moves along with the licit. Sometimes as with illicit financial flows such as that from kleptocrats or large-scale tax evaders, the money flows through the legitimate banking system and is not the domain of the criminal world. They are facilitated by individuals of high social status who are often not connected with the illicit world that characterizes some of the flows analyzed here. These large-scale financial flows have been the subject of major criminal and civil investigations in recent years and have resulted in the payment of large scale fines by banks.

This chapter will focus on more tangible movements – people and goods which often travel the same routes where there is legitimate movement of technology, people and trade. These routes often have deep historical precedents and their continued use over centuries suggests that they will be employed in coming decades for the benefit of legitimate actors as well as illicit non-state actors. Illicit actors are moving people illegally and a variety of goods that are either illegal (like narcotics) or are not authentic like counterfeit goods. Counterfeits and diverted goods assume a significant share of international trade even in the affluent and well-regulated countries of North America and Western Europe. Often illicit trade is not detected because the illicit moves along with licit commodities or with large-scale human flows across borders.

---

<sup>1</sup> University Professor at George Mason University; Founder of the School of Public Policy and directs the Terrorism, Transnational Crime and Corruption Center (TraCCC).

This chapter focuses on common forms of illicit trade – the narcotics trade, human smuggling and trafficking and the counterfeit trade. The first two are criminal activities that receive significant law enforcement attention in developed countries. But the massive trade in counterfeit is a less policed forms of criminal activity in both North America and Europe despite the harm that some of these counterfeits cause to public health and safety. As we look towards 2030, global megatrends will impact these illicit flows in a variety of ways.

## Current Trends in Global Illicit Flows

### *Why the growth in illicit flows?*

There are important drivers of these illicit flows and they are tied to very fundamental forces in the contemporary world such as growing incoming inequality across and within regions, the population bulge in many developing countries, climate change, the rise of regional conflicts in recent decades and the increasing competition that has accompanied globalization. The displacement that comes with climate change and conflict fuels the illicit movement of people. Europe has seen many desperate people try to arrive on its territory fleeing the conflicts in Afghanistan, Syria, and the upheavals accompanying the Arab Springs and the instability of regions south of North Africa.<sup>2</sup> The United States is less close to some of the greatest conflicts but still has individuals seeking to enter to avoid the violence in Central America and drug-dominated regions of Mexico.

Significant income disparities characterize the borders of Europe on the Mediterranean Sea with those on its southern shores having a fraction of the income of those on its northern borders. The countries on the southern rim of the Mediterranean are now characterized by high levels of disorder and receive migrants from even poorer countries to the south, such as from sub-Saharan Africa. The same can be said for the United States and Mexico. The northern part of Mexico has very high rates of violence, much higher than in the more affluent United States, and receives migrants trying to enter the United States from poorer countries to the south of Mexico, particularly Honduras, El Salvador and Guatemala.<sup>3</sup>

The economic disparities in many authoritarian states are particularly profound as officials of states are able to loot tens if not hundreds of millions of dollars or euros from their countries and transfer these assets into bank accounts and real estate in many desirable financial centers.<sup>4</sup> This enriches the financial centers of the developed world in North America and western Europe and drains the assets needed for development from the developing world.<sup>5</sup>

<sup>2</sup> Global Initiative, “Smuggled Futures: The Dangerous Path of a Migrant from Africa to Europe,” May 7, 2014, <http://www.globalinitiative.net/smuggled-futures/>; Phillip Connor, “Illegal immigration by boat: A dangerous, but common way of entering Europe,” April 30, 2014, <http://www.pewresearch.org/fact-tank/2014/04/30/illegal-immigration-by-boat-a-dangerous-but-common-way-of-entering-europe/>.

<sup>3</sup> By Daniel González and Bob Ortega, “Central American Immigrants on the Rise,” September 23, 2013, <http://www.azcentral.com/news/politics/articles/20130923central-americanmigrants-on-rise.html>.

<sup>4</sup> Louise Shelley, “Money Laundering into Real Estate,” in *Convergence: Illicit Networks and National Security in the Age of Globalization*, eds. Michael Miklaucic and Jacqueline Brewer (Center for Complex Operations, Institute for National Strategic Studies, National Defense University Press, Washington, DC, 2013), pp.131-46.

<sup>5</sup> See the website of Global Financial Integrity and its numerous reports on this topic, <http://www.gfintegrity.org/>.

The desire to compete economically in a global market forces a brutal competition. As competition increases in the coming decades under population pressures and economic disruptions of climate change, the brutality of the workplace may be increased. Despite some consumer concern in both Europe and North America for ethical sourcing of products, there is precious little attention to the supply chains of imported goods or even those that are produced in the region.<sup>6</sup> The fire in Prato near Florence in Italy in which many illegal Chinese died is illustrative of the problem, that the high labor costs in the developed world have made it hard for some manufacturers to compete. Therefore, they employ individuals in dangerous conditions and pay sub-standard wages in order to manufacture goods at competitive prices.<sup>7</sup> This Chinese-owned factory served as a supplier to Italian-based firms.

This problem of exploitative conditions of immigrants also exists in North America but in a slightly different form as so much of production has shifted offshore. Difficult and dangerous work conditions exist in some of the maquiladores, factories in Northern Mexico, and the same can be said for factories in Asia, as exemplified by the recent deaths in textile factories in Bangladesh that supply both European and North American markets.<sup>8</sup>

In both North America and western Europe, illegal migrants work in hazardous conditions particularly in the agricultural sector and in construction. Often housed in sub-standard conditions by those who control them, they are sometime subject to abuse and the spread of disease.<sup>9</sup> Many are injured or some even die in these unregulated or poorly regulated environments. There has been limited response by the legal system and regulators to these abuses and the failure to focus on finance regulation suggests that this problem will grow in the coming decades.

The conditions that have fueled illicit trade in the past decades will only compound the problem in the future. Those who perpetrate these crimes are major beneficiaries of globalization. At the same time that these groups are able to operate flexibly and innovatively to circumvent the regulations of the state, the financial crises of recent years in North America and Europe have reduced the capacity of states to address these illicit flows. Fewer personnel, reduced budgets and stovepiped bureaucracies have failed to counter the rise of these organizations. Therefore, illicit trade will be a significant financial, public health and political stability concern in the coming decades. The ever present supply of people to be smuggled and trafficked and the increased manufacturing capacity in the developing world means that there will be ample supplies of people and goods ready to be trafficked.

---

<sup>6</sup> The organization, Verite, is trying to raise awareness and work with companies that seek to improve their supply chains, [www.verite.org](http://www.verite.org).

<sup>7</sup> "Italy Prato fire kill seven in Chinese-owned factory," , December 1, 2013, <http://www.bbc.co.uk/news/world-europe-25180500>.

<sup>8</sup> Ruma Paul and Serajul Quadir, "European and US Retailers Split on Bangladesh Reform Plan," March 14, 2013, <http://www.reuters.com/article/2013/05/14/us-bangladesh-building-idUSBRE94COBL20130514>.

<sup>9</sup> John Bowe, *Nobodies: Modern American Slave Labor and the Dark Side of the New Global Economy* (New York: Random House, 2008); Nsenga Burton, "Illegal Immigrants Abused as Domestic," July 5, 2011 [http://www.theroot.com/articles/culture/2011/07/illegal\\_immigrants\\_abused\\_as\\_domestics.html](http://www.theroot.com/articles/culture/2011/07/illegal_immigrants_abused_as_domestics.html); "Migrant Smuggling," <http://www.unodc.org/toc/en/crimes/migrant-smuggling.html>.

### *Significant Forms of Illicit Trade*

The different forms of illicit trade discussed here provoke very different policy responses by states. Counterfeiting, an increasingly pervasive and lucrative crime for the counterfeiters, is generally accorded relatively low priority by the state even though revenue losses in the United States and western Europe are increasing significant and thereby commanding more attention in this time of fiscal constraints. Therefore, it is anticipated that there will be further growth in this phenomenon by 2030.

Human smuggling and trafficking are much higher priorities not only because of the crime involved but because of the impact of these crimes on both American and western European society. It is not only the state that is responding but citizens, both from human rights and nationalist communities, that are demanding responses by the state. In both Europe and the United States, citizens have responded violently to migrants, some of them illegal migrants, and this trend may increase as evidenced by the backlash against migrants evident in the European parliamentary elections of May 2014<sup>10</sup> and the violence by diverse groups against illegal immigrants on the southern border of the United States that has been a problem for many years already.<sup>11</sup>

Both North American and Europe spend significant amount of their law enforcement responses addressing the international drug trade. It is in this area that there is the greatest transatlantic cooperation as governments and organizations such as Europol share information on international drug organizations and routes. These markets have stabilized or even declined in both North America and Europe and as there may be a trend to increased legalization in the coming decade in both regions, countering illicit drug flows may not be the primary priority of illicit trade as it has been.

The area of illicit financial flows has, until recently, been an area that commanded too little attention from both the U.S. government, individual European states and the EU. The problem is not just one of offshore locales but of money flowing into major international financial centers without due diligence by financial institutions. The absence of regulation of shell companies has just compounded the problem. Revelations from leaked financial records have shown the enormous volume of this activity, some of it in offshore branches of major financial institutions.<sup>12</sup> But the U.S. policies that have made some banks “too big to fail”<sup>13</sup> and the penalties to institutions in both North America and Europe are “merely a cost of business,”<sup>14</sup> suggesting that this phenomenon will not decline significantly in the coming decade but may increase.

<sup>10</sup> “Rise in Illegal Migration in 2014,” May 30, 2014, <http://www.bbc.com/news/world-europe-27631192>

<sup>11</sup>; Jesus A. Trevino, “Border Violence against Illegal Immigrants and the Need to Change the Border Patrol’s Current Complaint Review Process,” *Houston Journal of International Law*, vol.21, no.1, Fall 1998.

<sup>12</sup> See <http://www.publicintegrity.org/news/Offshore-bank> for a discussion of this problem.

<sup>13</sup> Emily Stephenson and Jonathan Spicer, U.S. banks enjoy ‘too-big-to-fail’ advantage: Fed study, March 25, 2014, <http://www.reuters.com/article/2014/03/25/us-usa-banks-systemic-idUSBREA2019320140325>.

<sup>14</sup> Richard McGregor and Aaron Stanley, “Banks Pay Out us \$100 bn in fines,” March 25, 2014, <http://www.ft.com/cms/s/0/802ae15c-9b50-11e3-946b-00144feab7de.html#axzz33Iajso7r>.

## Counterfeits

The highly regulated markets of Europe provide some controls on the entry of counterfeits. Europe, however, has a long and vulnerable coastline, historical trade routes that date back to the Ottoman Empire. Furthermore there are significant problems of corruption in the eastern part of Europe, especially along the historic Balkan route that links Europe with Turkey.<sup>15</sup> The conflicts in the former Yugoslavia and the extensive problems of organized crime in Italy, where criminal groups such as the Naples-based Camorra have significant controls over major ports,<sup>16</sup> contribute greatly to the growth of illicit trade. Their influence over illicit trade should continue in the coming decades as little has been done by the Italian state to counter their growth.

The sheer volume of trade, such as arrives at the port of Rotterdam in the Netherlands, limits the ability to ensure quality control at the entry points to Europe.<sup>17</sup> Therefore, imports of counterfeits are growing in frequency. In “2008, the European Customs Union detected over 3,200 attempts to import bogus drugs, involving almost 9 million items, over half of which originated in India.”<sup>18</sup>

The prime criminal actors in the European counterfeit trade are the Camorra, who may earn “more than 10 percent of its roughly \$25 billion annual profit through the sale of counterfeit and pirated goods—such as luxury clothing, power tools, CDs, DVDs, and software.”<sup>19</sup> They are also active in the trade in counterfeit pharmaceuticals. As a less traditional crime group than the Sicilian-based mafia they also cooperate with terrorists. A recent parliamentary investigation in Italy has raised serious concerns as to the extent and diverse costs of their significant role in importing and disseminating counterfeits.<sup>20</sup> Italian governmental corruption is a key component in their ability to operate on such a large scale.<sup>21</sup>

Two conflict regions in Europe have been at the center of the trade of counterfeit DVDs—Northern Ireland and Bosnia-Herzegovina.<sup>22</sup> The production and sale of counterfeits benefited

<sup>15</sup> Aida Hozic, “Between the Cracks: Balkan Cigarette Smuggling,” *Problems of Post-Communism* 51, no. 3 (2004), pp. 35–44 discussed the corruption that facilitates this trade.

<sup>16</sup> Tom Behan, *The Camorra: Political Criminality in Italy* (Routledge, New York, 1996); Roberto Saviano, *Gomorrah* (Farrar, Straus, and Giroux, 2007).

<sup>17</sup> UNODC, *Globalization of Crime: Transnational Organized Crime Threat Assessment*, pp. 177, 179, see map of European seizures.

<sup>18</sup> *Ibid.*, p. 184.

<sup>19</sup> Daniel L. Glaser, *Combating International Organized Crime: Evaluating Current Authorities, Tools, and Resources*, 2011, p. 3, <http://www.treasury.gov/press-center/press-releases/Pages/tg1346.aspx>.

<sup>20</sup> Discussion at a WAITO board meeting in Geneva, Switzerland, February 2012 with a member of the UNICRI staff that did research on this topic that was discussed in the Italian parliament. See research of UNICRI <http://counterfeiting.unicri.it/>, accessed December 26, 2012.

<sup>21</sup> Donatella della Porta, *Lo Scambio Occulto Casi di corruzione politica in Italia* (Bologna: Società Editrice Il Mulino, 1992); *Mafia e Potere* (l’Unità, Rome, 1993) discusses governmental corruption; UNODC, *Globalization of Crime: Transnational Organized Crime Threat Assessment*, p. 180.

<sup>22</sup> BCC, “Border Raid on Fake CD Plant,” BBC News, December 17, 2000, [http://news.bbc.co.uk/2/hi/uk\\_news/northern\\_ireland/1074672.stm](http://news.bbc.co.uk/2/hi/uk_news/northern_ireland/1074672.stm), accessed December 26, 2012; Susan Watts, “Counterfeit CDs Threaten the Record Industry: Northern Ireland Terror Groups Believed to Be Involved in Importing Discs from China and Eastern Europe,” *The Independent*, August 8, 1994,



both republican and loyalist paramilitary factions during the conflicts in Northern Ireland. During the Balkan conflicts of the 1990s the Arizona market in Brcko in Bosnia-Herzegovina was a major provider of counterfeit DVDs and other commodities. Behind this market were a diverse variety of criminals, terrorists and insurgents benefiting greatly from the sale of these products to the peacekeepers. In this way, those sent into stabilize the situation were providing operating funds to those who were intentionally destabilizing the political environment.<sup>23</sup>

These problems persist. Data on the consumption of counterfeit cigarettes indicate that an estimated 49% of cigarettes consumed in Bosnia-Herzegovina are illegal, amongst the highest recorded level in the world.<sup>24</sup> The war years and massive illicit trade that occurred have established a large and permanent second economy that shows no sign of abating.

The counterfeiting of DVDs, software and other multimedia is rampant in Russia. This is the type of organized crime that post-Soviet organized crime excels at, because of the many technically sophisticated criminals within their ranks. But in the North Caucasus, a highly corrupt region where both terrorists and criminals operate, there is the involvement of both groups in the DVD trade. A decade ago, according to Interpol, Russian law enforcement officials disrupted the operation of a Chechen-run counterfeit CD manufacturing plant. The Russian security service estimated that the criminal organization earned \$500,000-700,000 and sent some of the funds to Chechen rebels.<sup>25</sup> This is an example of the indirect involvement of terrorist groups receiving funds from criminals who are directly engaged in this activity.

More recently, Russian researchers in Stavropol in the North Caucasus have observed the continued involvement of both terrorist and criminal groups in counterfeiting in the highly unstable region of the North Caucasus. Analysis of many court cases in the region reveal that illicit trade benefit terrorists, as well as criminal groups, as in the case of the Chechen DVD factory.<sup>26</sup> But the sampling of cases may be skewed, because of the widespread corruption and the complicity of government officials in this trade. They may only be ready to act against counterfeiting when there is a terrorist component.

The illicit counterfeit trade in the United States combines the theft of intellectual property from the United States, as well as the importation of counterfeits produced largely in Asia. Intellectual Property stolen in the United States will be counterfeited both in the United States and abroad, and will be marketed both domestically and internationally. The recent report of the state Attorney General for California on the future of crime, focusing much on high technology crime,

---

<http://www.independent.co.uk/news/uk/counterfeit-cds-threaten-the-record-industry-northern-ireland-terror-groups-believed-to-be-involved-in-importing-discs-from-china-and-eastern-europe-1382140.html>, accessed December 26, 2012; Peter Andreas, "Symbiosis Between Police Operations and Illicit Business in Bosnia," *International Peacekeeping*, 16, no. 1 (2009), pp. 233–246.

<sup>23</sup> Andreas, op. cit.

<sup>24</sup> Melzer provides international data on the percentage consumption of illicit tobacco in many countries based on Euromonitor data. A caveat needs to be applied to this data as there is no clarity on the methodology used by Euromonitor to assess illicit trade penetration. Recent analyses by the cigarette industry, according to an interview with an industry expert on illicit trade, identify Brunei as presently the largest market for illicit cigarette trade.

<sup>25</sup> Noble, op. cit.

<sup>26</sup> Discussions with Tatiana Pinkevich of the Stavropol Center on organized crime, see their website. <http://cspkitracc.skforussia.ru>, accessed August 18, 2012.

as well as charging of Chinese computer criminals for targeting American innovation housed on computers are both indicative of the crimes in the coming decade.<sup>27</sup> Despite the regulation and enforcement capacity in the United States, it has proven increasingly difficult to control the trade in counterfeit clothing, pharmaceuticals purchased through the Internet,<sup>28</sup> and the illicit sales of counterfeit DVDs and software in large metropolitan areas. Counterfeit and diverted cigarettes are an additional concern, particularly in states with high tax rates on cigarettes.<sup>29</sup> Illustrative of this is the case of New York, with the highest tax rates per pack, where 60% of cigarettes sold are smuggled.<sup>30</sup>

There are several important locales in the United States where theft of Intellectual Property is a particular concern. The theft of Intellectual Property related to software and technology is a particular concern on the west coast, particularly in Silicon Valley and Seattle areas.<sup>31</sup> Most of the pirated movies that are disseminated worldwide on DVDs originate from California, as does music from the Latin recording industry that is disseminated through counterfeit CDs.<sup>32</sup> Key parts of the American recording industry whose artists' recordings are subject to counterfeiting are based in New York City. In Los Angeles, Russian Organized Crime, Eurasian Organized Crime, Asian Organized Crime, Latin American and Lebanese Organized Crime groups as well as criminal gangs have been identified as benefiting from intellectual property crimes.<sup>33</sup> Counterfeits have been identified in what should be the most secure of supply chains. The US military has identified 1800 cases of counterfeit parts entering into US military combat hardware.<sup>34</sup>

Only a small share of counterfeits is intercepted in the United States because this is not a law enforcement priority. New York City, a major port of entry for the United States, faces significant imports of counterfeits, apart from its local production. Law enforcement in New

<sup>27</sup> California Attorney General, "Gangs Beyond Borders, California and the Fight Against Transnational Crime," March 2014, <http://oag.ca.gov/transnational-organized-crime>; Michael S. Schmidt and David E. Sanger, "5 in China Army Face U.S. Charges of Cyberattacks," May 19, 2014, <http://www.nytimes.com/2014/05/20/us/us-to-charge-chinese-workers-with-cyberspying.html>

<sup>28</sup> Damon McCoy et. al., "PharmaLeaks: Understanding the Business of Online Pharmaceutical Affiliate Programs," august 2012, <https://www.usenix.org/conference/usenixsecurity12/technical-sessions/presentation/mccoy>.

<sup>29</sup> Diverted cigarettes are untaxed cigarettes that enter into the black market, see U.S. Department of Justice, *The Bureau of Alcohol, Tobacco, Firearms and Explosives Efforts to Prevent the Diversion of Tobacco* (DOJ: Washington, DC, September 2009), p. 92.

<sup>30</sup> Aaron Smith, "60% of cigarettes sold in New York are smuggled: report," January 10, 2013, <http://money.cnn.com/2013/01/10/news/companies/cigarette-tax-new-york/index.html>, accessed August 17, 2013.

<sup>31</sup> California Attorney General, "Gangs Beyond Borders, California and the Fight Against Transnational Crime," March 2014, <http://oag.ca.gov/transnational-organized-crime>.

<sup>32</sup> Stedman, op. cit., p. 7.

<sup>33</sup> Ibid., p. 7; National Gang Intelligence Center, National Gang Threat Assessment: Emerging Trends, 2011, 43, <http://www.fbi.gov/stats-services/publications/2011-national-gang-threat-assessment>, accessed December 26, 2012.

<sup>34</sup> Merrill Goozner, "U.S. Military Equipment Built with Counterfeit Parts," *The Fiscal Times*, May 22, 2012, <http://www.thefiscaltimes.com/Articles/2012/05/22/US-Military-Equipment-Built-with-Counterfeit-Parts.aspx#page1>, accessed December 24, 2012.

York estimated that they confiscated only 2.5 million of the 19.5 illicit sound recordings destined for the streets of New York, or approximately three illegal CDs per capita.<sup>35</sup>

As a member of the Los Angeles' Sheriff Office for countering Intellectual Property crime admitted in Congressional testimony, IPR (Intellectual Property Rights) crime is attractive to gang members, because of the high profit and minimal jail sentences." In the parlance of one suspect, 'It's better than the dope business, no one's going to prison for DVDs."<sup>36</sup>

The supply chains for the counterfeits connect countries of production in Asia with countries of demand in North America or Europe. The illicit counterfeit trade does not at present extensively to link the transatlantic region. This may increase in the future as some recent cases may be harbingers of future trends. For example, the largest case of illicit cigarettes in the United States involved the Real IRA that was marketing these illegally imported cigarettes from Panama to Europe.<sup>37</sup> The significant divergence in price between pharmaceuticals in the United States and Western Europe may lead to the illicit trade in diverted pharmaceuticals from Europe into American markets.

### ***Human smuggling and trafficking***

Human trafficking and smuggling into Europe have grown since the 1980s. Emigrants are attracted by generous welfare support and perceived economic advantages, as well as the demand in Western Europe for "three-d" workers – those willing to take dirty, dangerous, and/or degrading jobs that national citizens are unwilling to do. The increase can also be attributed to a number of converging global factors in the past few decades: economic crises in Asia; the conflicts in Iraq, Afghanistan, and Pakistan; and poverty in the global south have all encouraged emigration. Finally, options for legal entry to Europe are limited. In 2011, Europe accepted approximately 1.7 million legal migrants — a small percentage of those seeking entry — from outside the European Union.<sup>38</sup> Meanwhile, Frontex detected 141,000 illegal border crossings during the same year.<sup>39</sup> In 2008 an estimated 1.9 to 3.8 million unauthorized migrants resided in the European Union.<sup>40</sup> Given the numbers of people who wish to travel to the European Union, it

<sup>35</sup> City of New York, Office of the Comptroller, "Bootleg Billions: The Impact of the Counterfeit Goods Trade on New York City," 2004, 12, [www.comptroller.nyc.gov/bureaus/bud/.../Bootleg-Billions.pdf](http://www.comptroller.nyc.gov/bureaus/bud/.../Bootleg-Billions.pdf), accessed December 24, 2012.

<sup>36</sup> U.S. Senate Committee on Homeland and Security and Governmental Affairs, *Counterfeit Goods: Easy Cash for Criminals and Terrorists* (Testimony by John C. Stedman, 109<sup>th</sup> Cong, 1<sup>st</sup> sess, May 28, 2005, [purl.access.gpo.gov/GPO/LPS66671](http://purl.access.gpo.gov/GPO/LPS66671), accessed December 26, 2012.

<sup>37</sup> Paul Thompon, "US Businessman" funded Real IRA soldiers killing smuggling cigarettes into Ireland," March 12, 2009, <http://www.dailymail.co.uk/news/article-1161530/U-S-businessman-funded-Real-IRA-soldier-killers-smuggling-cigarettes-Ireland.html>.

<sup>38</sup> Eurostat, "Migration and Migrant Population Statistics," [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Migration\\_and\\_migrant\\_population\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Migration_and_migrant_population_statistics); Kristiina Kangaspunta, "Mapping the Inhuman Trade: Preliminary Findings of the Human Trafficking Database," *Forum on Crime and Society* 3, no. 1 (2003): p. 81, [www.unodc.org/pdf/crime/forum/forum3\\_note1.pdf](http://www.unodc.org/pdf/crime/forum/forum3_note1.pdf).

<sup>39</sup> Frontex, *Annual Risk Analysis 2012* (Frontex, Warsaw, 2012), [http://frontex.europa.eu/assets/Attachment\\_Featured/Annual\\_Risk\\_Analysis\\_2012.pdf](http://frontex.europa.eu/assets/Attachment_Featured/Annual_Risk_Analysis_2012.pdf).

<sup>40</sup> Clandestino Project, *Policy Brief: Size and Development of Irregular Migration to the EU* (Athens: Hellenic Foundation for European and Foreign Policy, 2009): 4, [\*Center for Transatlantic Relations\*](http://irregular-</a></p>
</div>
<div data-bbox=)



is no surprise that the problem of human smuggling has grown relative to that of human trafficking.<sup>41</sup> The European Statistical agency in 2013 reported that there was an 18% growth in identified victims between 2008 and 2011 although the number represents just a small fraction of the problem.<sup>42</sup> The problem is growing in Europe in 2014 as a result of the conflicts in Africa, Syria and other regions of the world, placing particular pressure on the states of Southern Europe such as Spain and Italy.<sup>43</sup>

Human smuggling and trafficking are not evenly distributed across Europe. According to the United Nations, five countries of western Europe — Belgium,<sup>44</sup> Germany, Greece, Italy, and the Netherlands — have recorded the highest number of trafficking victims. These same countries are also principal destinations for individuals who enlist the services of human smugglers.<sup>45</sup> The next-largest hubs of human trafficking are Austria, Denmark, France, Spain, and Switzerland.<sup>46</sup> Greece and Spain are not only recipient countries for unauthorized migrants but also have been exploited by transnational smuggling organizations because of their key geographic locations on the periphery of Europe.<sup>47</sup> These destination countries are among the most affluent and populous countries in Europe. They also have large sex markets, either due to domestic demand or tourism industries (such as in the south of Spain).<sup>48</sup> Moreover, many have large immigrant populations, ports, and extensive coastlines that facilitate the entry of both trafficking victims and smuggled migrants.

The trafficking landscape within the European Union is diverse (as it is in other developed countries). While most of the attention has been focused on sex trafficking of women from eastern Europe, the former Soviet Union (particularly after the fall of the Berlin Wall), and Africa, victims come from all regions of the world. UNODC reports a greater variety in the national origins of human-trafficking victims in Europe than in any other part of the world.<sup>49</sup>

---

[migration.net/typo3\\_upload/groups/31/4.Background\\_Information/4.2.Policy\\_Briefs\\_EN/ComparativePolicyBrief\\_SizeOfIrregularMigration\\_Clandestino\\_Nov09\\_2.pdf](http://migration.net/typo3_upload/groups/31/4.Background_Information/4.2.Policy_Briefs_EN/ComparativePolicyBrief_SizeOfIrregularMigration_Clandestino_Nov09_2.pdf).

<sup>41</sup> John Salt and Jennifer Hogarth, *Migrant Trafficking and Human Smuggling in Europe: A Review of the Evidence* (International Organization for Migration, Geneva, 2000), chapter 8.

<sup>42</sup> Eurostate, “Trafficking in Human Beings, 2013, [http://ec.europa.eu/anti-trafficking/download.action?nodePath=%2FPublications%2FTrafficking+in+Human+beings+-+DGHome-Eurostat\\_EN.pdf&fileName=Trafficking+in+Human+beings+-+DGHome-Eurostat\\_EN.pdf&fileType=pdf](http://ec.europa.eu/anti-trafficking/download.action?nodePath=%2FPublications%2FTrafficking+in+Human+beings+-+DGHome-Eurostat_EN.pdf&fileName=Trafficking+in+Human+beings+-+DGHome-Eurostat_EN.pdf&fileType=pdf)

<sup>43</sup> “Rise in Illegal Migration into European Union.”

<sup>44</sup> Stef Janssens, Patricia Le Cocq, and Koen Dewulf, *La Traite et Le Trafic des être\$ humain\$: Lutter avec des personnes. Et des ressources Rapport Annuel 2008* (Centre pour l’égalité des chances et la lutte contre racisme, Brussels, 2009).

<sup>45</sup> Khalid Koser, “Why Migrant Smuggling Pays,” *International Migration* 46, no. 2 (2008): pp. 3–26; Gao Yun and Véronique Poisson, “Le trafic et l’exploitation des immigrants chinois en France,” (Organisation International du Travail, Geneva, 2005): pp. 70–2, [www.ilo.org/sapfl/Informationresources/ILOPublications/WCMS\\_082332/lang--fr/index.htm](http://www.ilo.org/sapfl/Informationresources/ILOPublications/WCMS_082332/lang--fr/index.htm).

<sup>46</sup> UNODC, *Trafficking in Persons: Global Patterns* (UNODC, Vienna, 2006): 92, [www.unodc.org/pdf/traffickinginpersons\\_report\\_2006-04.pdf](http://www.unodc.org/pdf/traffickinginpersons_report_2006-04.pdf).

<sup>47</sup> Akis Kalaitzidis, “Human Smuggling and Trafficking in the Balkans: Is It Fortress Europe?” *Journal of the Institute of Justice and International Studies* 5 (2005): pp. 3–4.

<sup>48</sup> Alejandro Gómez-Céspedes and Per Stangeland, “Spain: The Flourishing Illegal Drug Haven in Europe” in *Organised Crime in Europe*, eds. Cyrille Fijnaut and Letizia Paoli (Springer, Dordrecht, 2004), pp. 402–404. [http://link.springer.com/chapter/10.1007/978-1-4020-2765-9\\_14](http://link.springer.com/chapter/10.1007/978-1-4020-2765-9_14).

<sup>49</sup> UNODC, “The Globalization of Crime.” op cit.

Different regions of Europe receive victims from different source countries. In its 2012 assessment, Europol identified five major hubs of organized crime. Each is connected to particular source countries, and specializes in certain types of labor placement. The five hubs are: in the northwest, the Netherlands and Belgium; in the northeast, the Baltic states and Kaliningrad; in the southeast, Bulgaria, Romania, and Greece; in the south, southern Italy; and in the southwest, Spain and Portugal.<sup>50</sup>

The southwest hub (Spain and Portugal) receives victims from the Iberian Peninsula and redistributes them throughout Europe according to market demand. Chinese victims often work in textile sweatshops, Eastern Europeans in agriculture, South Americans in the sex industry, while Roma children are forced to beg and commit thefts.<sup>51</sup> The southern criminal hub (southern Italy) is a transit and destination area for individuals who come from North and West Africa, Eastern Europe, the Balkans, and China.<sup>52</sup> They work in the textile industry, entertainment sector, elder and child care, and construction.<sup>53</sup>

The major source countries of smuggling and trafficking victims were identified by Europol in 2008 as Moldova, Ukraine, Bulgaria, Romania, the Russian Federation, and Nigeria. In many cases, trafficking to Europe is facilitated by members of victims' own migrant communities.<sup>54</sup> Identified source countries include some of the poorest nations in Europe. Meanwhile, Europol fails to mention several source countries that were once European colonies. These include Morocco and Algeria in North Africa, and Brazil, the Dominican Republic, and Colombia in Latin America. Citizens from these former colonies are increasingly identified as victims of trafficking, both for sex work and general labor, particularly in Mediterranean countries. Large numbers of women from the Dominican Republic, a Spanish colony until the early 19<sup>th</sup> century, are trafficked to Spain.<sup>55</sup> Women from Brazil and Colombia are increasingly identified as victims of sex trafficking in Europe.<sup>56</sup> Italy, home to the second-largest Nigerian diaspora community in Europe, had 12,500 trafficked Nigerian women working as prostitutes in 2006, representing approximately half of the prostitutes in Italy.<sup>57</sup> In the UK in 2011, a man was arrested and

<sup>50</sup> Europol, *Trafficking in Human Beings in the European Union*, p.12.

<sup>51</sup> Ibid, pp. 11-12.

<sup>52</sup> For more on the Southern and Eastern European region see Rebecca Surtees, "Traffickers and Trafficking in Southern and Eastern Europe: Considering the Other Side of Human Trafficking," *European Journal of Criminology* 5, no. 1 (2008): pp. 39–68.

<sup>53</sup> Europol, *EU Organised Crime Threat Assessment (OCTA) 2011* (The Hague: Europol, 2011): p. 12, [www.europol.europa.eu/content/press/europol-organised-crime-threat-assessment-2011-429](http://www.europol.europa.eu/content/press/europol-organised-crime-threat-assessment-2011-429).

<sup>54</sup> Europol, *Annual Report 2008* (The Hague: Europol, 2008): pp. 17–9,

[www.europol.europa.eu/sites/default/files/publications/annual\\_report\\_2008.pdf](http://www.europol.europa.eu/sites/default/files/publications/annual_report_2008.pdf).

<sup>55</sup> International Organization for Migration (IOM), Migration Information Program, *Trafficking in Women from the Dominican Republic for Sexual Exploitation* (Geneva: IOM, 1996),

[www.oas.org/atip/country%20specific/TIP%20DR%20IOM%20REPORT.pdf](http://www.oas.org/atip/country%20specific/TIP%20DR%20IOM%20REPORT.pdf); US Department of State, "Dominican Republic," in *Trafficking in Persons Report 2009* (Department of State, Washington, DC, 2009): 123–34, [www.state.gov/j/tip/rls/tiprpt/2009/123136.htm](http://www.state.gov/j/tip/rls/tiprpt/2009/123136.htm).

<sup>56</sup> Liz Kelly, *Journeys of Jeopardy: A Review of Research on Trafficking in Women and Children in Europe* (IOM, Geneva, 2002): p. 26,

[www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/published\\_docs/serial\\_publications/mrs11b.pdf](http://www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/published_docs/serial_publications/mrs11b.pdf).

<sup>57</sup> John Picarelli, "Organised Crime and Human Trafficking in the United States and Western Europe," in *Strategies Against Human Trafficking: The Role of the Security Sector*, ed. Cornelius Friesendorf (National Defense Academy

successfully prosecuted for attempting to traffic two Nigerian teenage girls to Greece and Spain from Great Britain.<sup>58</sup> Therefore, the patterns of trafficking have grown more complex over time, a trend that will continue.

Among child victims, leading source regions are Eastern Europe, North Africa, and Asia.<sup>59</sup> A significant number come from the Middle East and the Indian subcontinent by way of Turkey and often the Balkans. Most of these children, defined as trafficking victims, will work in illegal labor markets, but not the sex markets that have received the most attention.<sup>60</sup>

European policymakers have made great efforts to restrict illegal immigration. This is an enormous challenge given the nature of EU borders — the Mediterranean coast is lightly guarded, and the long border that many Eastern European countries share with the former Soviet Union is notorious for its often-corrupt border patrol personnel.<sup>61</sup> Given that Eastern Europe includes porous, lawless regions through which many migrants and trafficked people from other regions transit, the lack of control along this eastern border is especially significant.<sup>62</sup> The Arab Spring had a significant impact on illegal immigration into Western Europe. Many migrants from sub-Saharan Africa who were working in North Africa when the unrest started escaped to Europe. Frontex, the European border control agency, noted that in the first nine months of 2011 there were 112,000 illegal migrants detained compared to 77,000 for the same time period in 2010, although not all from sub-Saharan Africa.<sup>63</sup> As routes across the Mediterranean were shut off through interdiction at sea, more individuals came through Turkey. Consequently, Greece noted an upturn in smuggled migrants.<sup>64</sup>

The business of human smuggling and human trafficking is possibly more ethnically diversified in the European Union than in North America. Of various national and ethnic criminal groups, several in particular are associated with the trafficking of human beings. Nigerian and Chinese

and Austrian Ministry of Defense and Sport, Vienna, 2009): p. 134; Jørgen Carling, “Trafficking in Women from Nigeria to Europe,” July 2005, *Migration Information Source*, [www.migrationinformation.org/Feature/display.cfm?ID=318](http://www.migrationinformation.org/Feature/display.cfm?ID=318); Jørgen Carling, *Migration, Human Smuggling and Trafficking from Nigeria to Europe* (Geneva: IOM, 2006), [www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/published\\_docs/serial\\_publications/mrs23.pdf](http://www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/published_docs/serial_publications/mrs23.pdf).  
<sup>58</sup> “Man jailed for trafficking Nigerian girls out of UK,” July 7, 2011, <http://www.bbc.co.uk/news/uk-england-14065838>.

<sup>59</sup> United Nations Children’s Fund (UNICEF) Innocenti Research Center, *Child Trafficking in Europe: A Broad Vision to Put Children First* (UNICEF, Florence, 2008), [www.unicef-irc.org/publications/pdf/ct\\_in\\_europe\\_full.pdf](http://www.unicef-irc.org/publications/pdf/ct_in_europe_full.pdf).

<sup>60</sup> Financial Action Task Force (FATF), *Money Laundering Risks Arising from Trafficking in Human Beings and Smuggling of Migrants* (FATF and OECD, Paris, 2011): p. 34, [www.fatf-gafi.org/dataoecd/28/34/48412278.pdf](http://www.fatf-gafi.org/dataoecd/28/34/48412278.pdf).

<sup>61</sup> Human Rights Watch, “Hopes Betrayed: Trafficking of Women and Girls to Post-Conflict Bosnia and Herzegovina for Forced Prostitution,” *Human Rights Watch* 14, no. 9 (2002): pp. 26–34, [www.unhcr.org/refworld/docid/3e31416f0.html](http://www.unhcr.org/refworld/docid/3e31416f0.html).

<sup>62</sup> Frank Laczko, Irene Stacher, and Amanda Klekowski von Koppenfels, *New Challenges for Migration Policy in Central and Eastern Europe* (Cambridge University Press, Cambridge, 2002).

<sup>63</sup> Agence France-Presse (AFP), “Arab Spring Prompts Surge of Illegal Immigrants to EU,” AFP, November 16, 2011, [www.timesofmalta.com/articles/view/20111116/local/arab-spring-prompts-surge-of-illegal-immigrants-to-eu.394158](http://www.timesofmalta.com/articles/view/20111116/local/arab-spring-prompts-surge-of-illegal-immigrants-to-eu.394158).

<sup>64</sup> EurActiv, “Greece Measures Arab Spring Immigration Impact,” EurActiv, November 22, 2011, [www.euractiv.com/justice/greece-measures-arab-spring-immigration-impact-news-509109](http://www.euractiv.com/justice/greece-measures-arab-spring-immigration-impact-news-509109).

groups are probably the most threatening to society, according to a 2011 Europol assessment.<sup>65</sup> Bulgarian, Romanian, and Roma criminal groups are also particularly active, as are Albanian, Russian, Turkish, and Hungarian groups. Such criminal groups—especially the Chinese, Nigerian, and Romanian ones—work with diaspora communities overseas to limit detection. Bulgarian, Hungarian, and Turkish groups are often facilitators, moving individuals from the east through the Balkans to Western Europe. Balkan traffickers operate within family groups, often functioning within diaspora communities. For example, French police discovered through wiretaps that a sister of a French-based Balkan trafficker was operating a cell in Belgium.<sup>66</sup> But such groups also hire individuals outside their communities to reduce suspicions. Belgian and Dutch women have been hired by Balkan clans to help run day-to-day operations and minimize risks.<sup>67</sup>

Women are more active in human trafficking than other areas of transnational crime.<sup>68</sup> That said, they still number less than half of traffickers. According to a UN analysis of identified offenders in Europe, women rarely compose more than one-third of identified suspects in human-trafficking cases. Minors have been suspected as traffickers in some Western European countries. The majority of identified traffickers work within their own countries, but in some countries the presence of foreign traffickers is much higher.<sup>69</sup>

Combating the transnational criminal groups that facilitate trade in humans has become a high priority for the member states of the European Union. Policymakers have allocated significant resources to Europol, the European police agency, and established Frontex, a European agency devoted to border control.<sup>70</sup> Despite such steps, and mass media coverage of the issue, human smuggling and trafficking continue unabated. The financial crisis in 2008 only exacerbated the situation by increasing economic hardship in source countries and placing businesses in Europe under severe pressure to cut costs. According to Europol, this has increased demand for unauthorized migrants and trafficked victims in the economy as companies under financial pressure struggle to survive.<sup>71</sup>

Trafficking in the United States is different from that in Europe in several ways. Its sex trafficking victims are younger, more often native-born, and more mobile. The United States,

<sup>65</sup> Europol, *Trafficking in Human Beings in the European Union*, op. cit., p. 20.

<sup>66</sup> Jana Arsovska and Stef Janssens, “Human Trafficking and Policing: Good and Bad Practices,” in *Strategies against Human Trafficking: The Role of the Security Sector*, ed. Cornelius Friesendorf (National Defense Academy and Austrian Ministry of Defense and Sport, Vienna, 2009), p. 213.

<sup>67</sup> Ibid, p. 184.

<sup>68</sup> Dina Siegel and Sylvia de Blank, “Women Who Traffic Women: The Role of Women in Human Trafficking Networks — Dutch Cases,” *Global Crime* 11, no. 4 (2010): pp. 436–47; Alexis Aronowitz, *Human Trafficking, Human Misery: The Global Trade in Human Beings* (Praeger, Westport, 2009): pp. 52–5.

<sup>69</sup> UNODC, *Global Report on Trafficking in Persons* (UNODC, Vienna, 2009): p. 56, [www.unodc.org/unodc/en/human-trafficking/global-report-on-trafficking-in-persons.html](http://www.unodc.org/unodc/en/human-trafficking/global-report-on-trafficking-in-persons.html).

<sup>70</sup> Letizia Paoli and Cyrille Fijnaut, “General Introduction,” in *Organised Crime in Europe: Concepts, Patterns and Control Policies in the European Union and Beyond*, eds. Cyrille Fijnaut and Letizia Paoli (Dordrecht: Springer, 2004): 1. Frontex is a specialized and independent body based in Warsaw to provide operational cooperation on border issues; see Frontex, “Origin,” [www.frontex.europa.eu](http://www.frontex.europa.eu).

<sup>71</sup> Europol, *Trafficking in Human Beings in the European Union* (Europol, The Hague, 2011), [www.europol.europa.eu/sites/default/files/publications/trafficking\\_in\\_human\\_beings\\_in\\_the\\_european\\_union\\_2011.pdf](http://www.europol.europa.eu/sites/default/files/publications/trafficking_in_human_beings_in_the_european_union_2011.pdf).

with a higher birthrate than Europe, has more children. Without the significant social safety net which exists in Europe, many children are unsupervised and are born to single or unwed parents who are forced to work two or three jobs to sustain their families. It is, therefore, hardly surprising that a majority of American trafficking victims began their careers before they were 18.<sup>72</sup> This pattern of sexual exploitation of native-born minors of both sexes is a pattern not found in Europe but is more often associated with the developing world and is found in Asia, Latin America, Africa, and the Middle East.

Although the preponderance of trafficking cases in the United States concern sex trafficking, there are many other forms of trafficking that exploit the millions of illegal immigrants in the United States. Some of the labor trafficking became more pronounced after the financial crisis of 2008. Trafficking exists in every state of the United States. Victims of trafficking are exploited in diverse environments including rural, urban, and suburban communities and at truck stops across the country. American trafficking victims originate from all regions of the world including Latin America, Asia, Africa, Europe, and Eurasia. Almost all identified forms of human trafficking except for child soldiers exist in the United States.

Over a decade after the passage of the trafficking in person legislation, human trafficking still survives on a significant scale with large numbers of native born citizens and foreigners subject to labor, sexual and other forms of exploitation in the United States. There is an increasing state and federal response to the problem but the number of prosecuted cases in no way reflects the severity of the problem. Federal prosecutions in 2011 totaled 118 defendants in forced labor and adult sex trafficking cases,” representing a 19% increase over the number of defendants charged in the previous year and the highest number ever charged in a single year. The same year DOJ prosecuted 125 total human trafficking cases (including sex trafficking of minors) and convicted 70.”<sup>73</sup>

A disproportionate share of American-born victims of sexual trafficking are black and Hispanic,<sup>74</sup> but the problem is not confined only to minority group members as victims of sex trafficking are recruited from diverse locales across the United States. The profits from the illicit sex trade are significant.<sup>75</sup> In some markets in the United States, pimps can make up to \$33,000 in a single week.<sup>76</sup>

Labor trafficking victims are engaged in everything from street peddling to housekeeping, from child care to construction, agricultural labor, and landscaping. Guest farm workers who enter from Latin America, the Caribbean, Asia and Eastern Europe on H-2 visas are routinely cheated

---

<sup>72</sup> Attorney General’s Annual Report to Congress and Assessment of U.S. Government Activities to Combat Trafficking in Persons Fiscal Year 2011, <http://www.justice.gov/ag/annualreports/agreporthumantrafficking2011.pdf>.

<sup>73</sup> National Center for Victims of Crime, “Human Trafficking,” <http://www.victimsofcrime.org/library/crime-information-and-statistics/human-trafficking#ftn1>.

<sup>74</sup> Ibid.

<sup>75</sup> Meredith Dank et al., “Estimating the Size and Structure of the Underground Commercial Sex Economy in Eight Major US Cities,” March 12, 2014, <http://www.urban.org/publications/413047.html>.

<sup>76</sup> Ibid.



or short changed on their wages. In extreme cases, they are forced to live in squalid conditions; and, denied medical benefits for on-the-job injuries.<sup>77</sup>

Indictments of human traffickers reveal that multiple forms of exploitation may occur simultaneously with women forced to prostitute themselves at night and clean houses or engage in agricultural work during the day.<sup>78</sup> There is also a problem that individuals who are smuggled into the United States may be forced to carry drugs or may be trafficked into labor exploitation. The prevalence of large-scale gangs in human smuggling and trafficking, a phenomenon different from that observed in Europe, has resulted in the convergence of different forms of exploitation.<sup>79</sup>

### *Illicit Drugs and Trade*

The drug trade is one of the most profitable and rapidly growing forms of trade in the world. The United Nations Office on Drugs and Crime latest estimate is that the profits from narcotics trafficking out of Afghanistan is estimated at a total of \$13 billion annually for the northern route through Central Asia to the Russian Federation. The market that heads in a more southerly direction through Turkey and on to the Balkans and Western Europe is \$20 billion.<sup>80</sup> Add to this the sales for cocaine, synthetic drugs and marijuana and there are many more billions in sales. This sum far exceeds the profits from any other area of illicit trade.

The European drug market is increasingly complex. Cocaine remains the most used drug in Europe. Heroin use has declined but there is a growth in synthetic drugs. The rise of cocaine within Europe is a relatively recent phenomenon and is a consequence of the decline of cocaine consumption in the United States and the search for alternative markets by the drug traffickers.<sup>81</sup> The new narcotics trade route that goes from Latin America to Africa, for sale in Europe, is the converse of the slave trade of previous centuries. Now, Latin Americans control a trade that runs through Africa and where Europeans purchase its production at a premium because of their addiction.<sup>82</sup> This trade route is critical to European supply. A 2007 estimate placed 60% of

<sup>77</sup> Kevin Bales and Ron Soodalter, *The Slave Next Door: Human Trafficking and Slavery in America Today* (University of California Press, Berkeley and Los Angeles, 2009).

<sup>78</sup> “Former Wrestler Sentenced to Life on Federal Sex Trafficking and Forced Labor Charges, April 1, 2008, [www.justice.gov/opa/pr/2008/April/08\\_crt\\_259.html](http://www.justice.gov/opa/pr/2008/April/08_crt_259.html).

<sup>79</sup> FBI, National Gang Threat Assessment: Emerging Trends 2011, 24-25, <http://www.fbi.gov/stats-services/publications/2011-national-gang-threat-assessment/2011-national-gang-threat-assessment-emerging-trends>.

<sup>80</sup> United Nations Office on Drugs and Organized Crime, “Drug Trafficking,” <http://www.unodc.org/unodc/en/drug-trafficking/index.html>, accessed January 8, 2012.

<sup>81</sup> “Drugs in a changing European market — EMCDDA analysis 2014.

European Drug Report out today — Europe’s drugs problem ‘increasingly complex’”, May 27, 2014, <http://www.emcdda.europa.eu/news/2014/3>.

<sup>82</sup> Information on the source of the factories comes from published reports, see R. Hudson and Library of Congress Washington D.C. Federal Research Division, “Terrorist and Organized Crime Groups in the Tri-Border Area (TBA) of South America” (Defense Technical Information Center, 2003), [http://www.loc.gov/frd/pdf-files/TerrOrgCrime\\_TBA.pdf](http://www.loc.gov/frd/pdf-files/TerrOrgCrime_TBA.pdf); A. R. Sverdlick, “Terrorists and Organized Crime Entrepreneurs in the ‘Triple Frontier’ Among Argentina, Brazil, and Paraguay,” *Trends in Organized Crime* 9, no. 2 (2005), 84–93. Other sources are interviews with individuals in the cigarette industry following illicit trade, and the investigative project of Public Integrity. One of the few times I have been threatened was after I reported on our TraCCC Georgia center’s research on illicit cigarette factories in the country tied to Iraqi investment. This was later confirmed

Europe's cocaine transiting through West Africa, a figure that declined to 30% by early 2009 because of the greater external attention to this route.<sup>83</sup>

New routes have been found for the cocaine trade into the United States. The trade no longer centers on Colombia, other states have assumed a key role in the cocaine trade. In what may be called "the fudge effect," the devastation of the drug trade has merely been moved northward to Central America and Mexico, undermining the quality of life and governance in what were once transit regions for the Colombian drug trade

The drug trade may have stabilized in Europe and the United States but it still remains a key part of the illicit economy and affects diverse sectors of the economy. There is every indication that both North America and Europe will remain important markets for drugs although the trade may not link these two regions. Both regions have different routes for the entry of drugs.

The present efforts to legalize marijuana in parts of the United States<sup>84</sup> will result in a patchwork of policies within the country because many states will not authorize any forms of illegal drugs. Consequently, this trend to partial legalization will have diverse consequences in the coming decades. Effective responses to crime are based on the harmonization of legislation and the diversification of responses may have unexpected criminogenic consequences.

### **Illicit Flows in Europe and United States in 2030**

The most important global trends are all going to impact illicit trade. The rise of non-state actors, conflict regions, increased ethnic and sectarian violence, displacement of populations, economic disparity, climate change are all going to impact the nature of illicit trade in the developed countries of North America and Europe through the displacement of people, the need for individuals to survive and the absence of legitimate opportunities.

The decline of state power, the retreat of the state, and the embedding of non-state actors in the power and governance structures of many regions<sup>85</sup> suggest a different organization of power in the future in the future that will make many countries outside the affluent states of Europe and North America unable to control the illicit trade at its origin.

The developed economies must deal with threatening non-state actors, who are not their symmetric opponents. Much more diverse elements of government are needed to counter these actors than just traditional military forces. But many states' integrity and capacity where these problems are most pronounced have been compromised by corruption; they are not capable of

---

through interviews with anti-illicit trade specialists in the cigarette industry. See also, Sharon Anne Melzer, "Counterfeit and Contraband Cigarette Smuggling: Opportunities, Actors, and Guardianship" (American University, dissertation, 2010).

<sup>83</sup> Ashley Neese Bybee, "The Twenty-First Century Expansion of the Transnational Drug Trade in Africa," *Journal of International Affairs* 66, 1 (Fall/Winter 2012), p. 75.

<sup>84</sup> <http://www.governing.com/gov-data/state-marijuana-laws-map-medical-recreational.html>.

<sup>85</sup> Camino Kavanagh, "Getting Smart and Scaling Up: Responding to the Impact of Organized Crime on Governance in Developing Countries," June 7, 2013, <http://cic.nyu.edu/content/responding-impact-organized-crime-governance-developing-countries>.

opposing illicit actors. Corruption is particularly acute in many states in the developing world, particularly in Africa and the Middle East, that have had their boundaries defined by colonial powers and lack any inherent integrity or citizen loyalty to state institutions that transcend the clan or the tribe. Therefore, the instability in these regions will have many consequences for Europe and the United States in the coming decades in the form of more illegal migration and illicit trade and financial flows.

An entangled threat of crime, corruption, and terrorism will require more attention from the leadership of North America and Western Europe because of its endemic nature in many diverse regions of the world, especially in conflict regions; the financial success and extensive influence of non-state actors on governments, often by means of corruption; the increasing economic role of criminals and terrorists both as employers and participants in the local and global economy; the deleterious impact of crime and terrorism on communities and the political order; and the incapacity of state and multinational organizations to successfully challenge transnational criminals and terrorists at the national, regional, and global levels.

Yet no comparable effort exists in the United States or Europe to understand the rise of non-state actors who pose a different, but very diverse, challenge to the contemporary order, far different from that of the superpower conflict. Functioning below the state level, they require as great, if not greater, understanding of history, geography, culture, demography, and society than in the past. Yet to counter these potent non-state actors also requires a knowledge of networks, economics, business, and technology. This approach is far different from merely studying terrorists and insurgents or transnational criminals and has not been sufficiently applied.

Rather than a grand strategy, the international community needs a holistic approach. American officials assert that to address crime and terrorism, we need a whole-of-government approach integrating military, law enforcement, and financial countermeasures with development assistance.<sup>86</sup> But this is too narrow a response for the entangled problem of crime, corruption and terrorism, which requires much more than a state response.

A whole-of-society approach is needed by both North America and Europe that must work together more closely to address these problems by identifying the trajectory of these current problems. Yet these problems cannot be left to governments alone. They require the participation of multilateral organizations, international and local business, consumers, religious and secular civil society, journalists and international online communications (which have replaced much print journalism), researchers, and educational institutions. Without the participation and cooperation of different communities outside of government forming strategic partnerships, it will prove impossible to counter the corrosive impact of crime, corruption and terrorism<sup>87</sup>.

---

<sup>86</sup> Jim Garamone, "New National Strategy Takes 'Whole-of-Government' Approach," May 27, 2010, <http://www.defense.gov/news/newsarticle.aspx?id=59377>.

<sup>87</sup> Louise Shelley, *Dirty Entanglements: Corruption, Crime and Terrorism* (Cambridge University Press, New York and Cambridge, 2014).