

TraCCC UPDATES

TERRORISM, TRANSNATIONAL CRIME AND CORRUPTION CENTER

January, 2015

TRACCC IS IN GOOD COMPANY

With the receipt of a grant from the State Department to track and disrupt transnational rhino horn smuggling networks, some exciting work has begun on our project, "Time To Take Action." With that work have also come dynamic partnerships and opportunities for collaboration.

Last month, the Embassy of the United States in Pretoria, South Africa issued a press release to officially announce the distribution of funds for anti-wildlife trafficking efforts pledged during a visit "by President Obama during his 2013 Africa trip." In addition to TraCCC, organizations that received funds, as part of this initiative, include:

- The South African Council for Scientific and Industrial Research, which will systemically analyze the law enforcement chain with a specific focus on identifying areas for improvement;
- The Endangered Wildlife Trust, which – in collaboration with the African Wildlife Foundation and International Fund for Animal Welfare – will help improve transnational wildlife crime investigations and prosecutions within South Africa and the region, while increasing the number and severity of sentences for perpetrators;
- The World Wide Fund for Nature South Africa (WWF-SA), which will provide wildlife and criminal justice sector stakeholders both within South Africa and internationally a forum to increase networking and communication. This project will also develop mechanisms to increase cooperation and the sharing of information to harness collective efforts to combat illegal wildlife trade.

TraCCC has already begun collaborating the DC-based groups and their branches to coordinate their efforts and avoid duplication. We are also working with existing partners in Asia and Europe to bring their knowledge to bear on the problem. As we know, it takes a network to fight a network.

TraCCC Director Dr. Louise Shelley, Deputy Director Judy Deane, and Senior Fellow for Transnational Crime, Gretchen Peters will travel to South Africa in January to meet with representatives from South Africa, the U.S., and local and international wildlife agencies to coordinate efforts and conduct research. Ms. Peters will also visit Asia in January to conduct research on the demand side of the rhino horn trade supply chain.



Photo courtesy of Kasey Kinnard

UPCOMING EVENTS

Jan 22: TraCCC will host a panel of distinguished guests to discuss the current state of human trafficking in Northern Virginia and what can be done about it. The event commemorates Trafficking Awareness Month.

<http://traccc.gmu.edu/events/upcoming-events/>



School of Policy, Government,
and International Affairs

The Terrorism, Transnational Crime and Corruption Center (TraCCC) is the first center in the United States devoted to understanding the links between terrorism, transnational crime and corruption, and to teaching, researching, training and helping to formulate policy on these critical issues. TraCCC is a research center within the School of Policy, Government, and International Affairs at George Mason University. www.traccc.gmu.edu

Meet the Team

TraCCC is happy to have welcomed new members to its team in 2014.

Kasey Kinnard is TraCCC's new Grant Administrator and Outreach Coordinator. She is a 2014 M.A. graduate from the School of Policy, Government, and International Affairs and studied under TraCCC director, Dr. Louise Shelley. Kasey's previous service as a U.S. Peace Volunteer in South Africa makes her a great asset to TraCCC's "Time to Take Action" project. Kasey splits her time between research and administration of TraCCC events and communications.

Ly Phan is a graduate student researcher, while completing her Master of Public Policy degree. Ly is originally from Vietnam and conducted her undergraduate studies in China. She is using her unique combination of language skills and cultural understanding to study the demand side of the illegal wildlife supply chain in Asia.

Kofi Goka is a graduate student of the GMU School of Conflict Analysis and Resolution, and has joined TraCCC to assist with the State Department funded wildlife crime project. Kofi is originally from Ghana, and has experience in the import/export industry that has been valuable for conducting research on TraCCC working theories around the movement of illicit wildlife products.

Former TraCCC researcher, Enkhchimeg Sengee has joined the Financial Intelligence Unit of the Mongolian Central Bank.

TraCCC Staff and Students Published

TraCCC staff and students Andy Guth, Robyn Anderson, Kasey Kinnard, and Hang Tran have had an article published in the peer reviewed journal Social Inclusion. The paper is called "Proper Methodology and Methods of Collecting and Analyzing Slavery Data: An Examination of the Global Slavery Index."

Abstract:

*The Global Slavery Index aims to, among other objectives, recognize the forms, size, and scope of slavery **worldwide as well as the strengths and weaknesses of individual countries. An analysis of the Index's methods exposes significant and critical weaknesses** and raises questions into its replicability and validity. The Index may prove more valuable in the future if proper methods are implemented, but the longer improper methods are used the more damage is done to the public policy debate on slavery by advancing data and policy that is not based on sound methodology. To implement proper methods, a committee of sophisticated methodologists needs to develop measurement tools and constantly analyze and refine these methods over the years as data is collected.*

The complete paper can be read on the TraCCC website at <http://traccc.gmu.edu/wp-content/uploads/2014/11/Methodology-in-Trafficking.pdf>, or downloaded from the publication site at <http://www.cogitatiopress.com/ojs/index.php/socialinclusion/article/view/195>.



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Dr. Louise Shelley Writes for Foreign Affairs

A key element of U.S. President Barack Obama's strategy against the Islamic State of Iraq and al-Sham (ISIS) has been striking at the oil fields seized by the group to undermine its finances. But ISIS is a diversified criminal business, and oil is only one of its several revenue streams. U.S. officials ignore that fact at their own peril.

It is true that oil is ISIS' key source of funding right now. The terrorist group has become the world's richest precisely because it has seized some of the world's most profitable oil fields in Iraq and Syria. Even with those fields operating below capacity due to a lack of technology and personnel, ISIS is estimated to be producing about 44,000 barrels a day in Syria and 4,000 barrels a day in Iraq. ISIS sells crude at a discount (around \$20–\$35 per barrel) to either truckers or middlemen. The crude gets to refiners at around \$60 per barrel, which is still under market price. Smugglers pay about \$5,000 in bribes at checkpoints to move the crude oil out of ISIS controlled territory. Even selling the oil at a discount via pre-invasion smuggling routes out of Iraq, ISIS can still expect over a million dollars in revenue each day.

And ISIS' enemies are getting richer from the trade, too: Kurdish part-time smugglers who facilitate ISIS' oil sales can earn up to \$300,000 each month. A Kurdish newspaper recently published a list of people involved with ISIS, especially its oil operations. The list includes individuals with the last names of several Kurdish ruling families; a Toyota branch in Erbil, which sells ISIS trucks; a Politburo member and military leader; and oil refineries, among others. Some of those on the list were associated with oil smuggling under Saddam Hussein. Kurdish facilitators also provide goods to ISIS, including trucks, gas cylinders (for cooking and heating), gasoline, and other necessary commodities.

Oil is not ISIS' only source of revenue. For example, when the group needed seed capital to recruit personnel and acquire military equipment

to conquer the Sunni-dominated areas of Iraq, some of it came from donors in the Gulf States, who had funded the antecedents of ISIS. More recently, ISIS funding has come from the usual terrorist businesses—smuggling, kidnapping, extortion, and robberies. In one reported case, a Swedish company paid \$70,000 to rescue an employee who had been taken by ISIS. And before the American journalist James Foley was beheaded, ISIS fighters demanded an exorbitant sum for his freedom, which they did not receive.

Still more funding comes from the sale of counterfeit cigarettes, pharmaceuticals, cell phones, antiquities, and foreign passports. The trafficking of some of these commodities into Turkey from Syria has risen dramatically. For example, cigarette smuggling has increased, fuel smuggling is estimated to have tripled, and cell phone smuggling has risen fivefold. ISIS is also taxing black market antiquities at 20–50 percent, depending on the region and type of antiquity. Meanwhile, foreign fighters sell their passports for thousands of dollars in Turkey before entering Syria, where the proceeds help fund them and ISIS. These particular forms of illicit trade are attractive to terrorists because there is less competition, less regulation, and limited law enforcement in these markets compared to others, such as the arms and narcotics trades.

These days, ISIS in many ways resembles a legitimate business. It has diverse revenue sources, seeks and develops new profit lines, and focuses on its most successful products and competitive advantages. ISIS was smuggling oil in Syria before its fighters entered Iraq. The lure of those better oil fields might have been one of the reasons it expanded its operations. ISIS is also entrepreneurial—for example, it has obtained several modular mini-refineries, which are low cost, low capacity, and mobile. The U.S. Department of Defense has targeted about a dozen of these facilities. ISIS leaders are rational business actors, too. They seek the best professional services; engage in

cost-benefit analysis, focusing on crimes that yield the highest reward with the lowest risk; and use advanced technology to recruit personnel globally.

ISIS leaders' talent for business is not surprising. Although the group has its fair share of ideological fanatics, it also includes foreign fighters that have extensive criminal expertise, such as the Georgian militant Tarkhan Batirashvili, known by his nom de guerre Sheikh Abu Omar al-Shishani, who was arrested for illegally harboring weapons. Of ISIS leader Abu Bakr al-Baghdadi's 25 deputies in Iraq and Syria, approximately a third served in the military during Saddam Hussein's rule, and nearly all were imprisoned by American forces after the 2003 invasion, often with terrorists and insurgents who are now in ISIS. These experienced Baathists can tap into the illicit smuggling networks of the Saddam era.

In other words, ISIS already had years of expertise in outsmarting the West as it establishes front companies, bribes officials, and launders money. And, with its greatest revenue stream—oil—under attack, it can easily adjust the balance of its portfolio to favor non-oil activity. What's more, now that the group actually controls territory, it can squeeze the local population and businesses for cash and taxes, just as the Taliban did to great effect in Afghanistan.

The United States and other governments, expecting strikes on ISIS-held oil facilities to be a silver bullet, have failed to adequately engage the business community, which could provide enor-

mous insight into ISIS' operations. To undermine an economic competitor, you must do more than cut off its key funding—you have to go after its business and business models. In other words, it takes business to defeat an illicit business.

To prevent firms in Kurdish Iraq from selling trucks to ISIS or helping refine oil, the West could do more to ensure that the government in Baghdad pays good prices for the oil that it is obtaining from Kurdish Iraq and shares its revenues with the region. The failure of the central government to do so means that businesses will seek alternative customers—even bad ones.

The effort to counter ISIS should also involve Western businesses. The cigarette industry follows the ebb and flow of the illicit cigarette trade. Energy and pharmaceutical companies monitor the movement of their commodities in the region. Transport companies have insights into the dynamics of illicit trade, and insurance companies have insights into kidnapping. That is why public-private partnerships are key. Corporations can share the information they already collect on illicit trade routes, smuggling shipments, and key facilitators. They can also warn consumers not to purchase the counterfeit and smuggled commodities that fund terrorism.

For now, the government response to ISIS has not taken the business community enough into account. But without such cooperation, Washington cannot hope to successfully counter the nimble ISIS.

George Mason University student, Kayyone Marston, who is pursuing her Ph.D. under the guidance of TraCCC faculty has been awarded the 2014 Drugs, Security and Democracy Fellowship by the Social Science Research Council. During this fellowship, Kayyone will be conducting research for her dissertation, *A Comparative Analysis of the Dynamics of Political-Criminal Networks in Jamaica: The Role of Elites in Facilitating the Narcotics Trade*.

Former Attorney General of Guatemala Speaks at TraCCC

On November 6, Dr. Claudia Paz y Paz, former Attorney General of Guatemala, and currently visiting fellow at Georgetown University Law School gave a talk on “Organized Crime and Corruption in Central America” jointly sponsored by TraCCC and the GMU Latin American Studies Center.

Dr. Paz y Paz was Guatemala’s first female attorney general from 2010 to June 2014 when she was fired by the President, for successfully prosecuting former dictator General Rios Montt for genocide in a civilian court. Dr. Paz y Paz was also the first Guatemalan attorney general to tackle the entrenched drug gangs, organized criminals and corrupt officials that controlled Guatemala’s political and economic landscape, and the first to be nominated for the Nobel Peace Prize.

In her talk, Dr Paz y Paz said that the most serious threat for Guatemala came from the Zetas, a drug gang that was prosecuted in the U.S. and Mexico. So they moved south to Honduras and Guatemala in 2008, where they began by murdering their local competition, including a well-known Guatemalan drug trafficker. They then organized public massacres to intimidate the population, and killed a local prosecutor. Their message was: “silver or lead” — either take our money and do our bidding, or you will be shot. By the time Paz y Paz became attorney general in 2010, the Zetas represented an existential challenge to the authority of the state that needed to be put down. But how?

The first key, according to Paz y Paz was to form a team that could be trusted, and put together special units where prosecutors would work together with police officers, and use wire taps and other investigative techniques to identify the higher level traffickers and get evidence against them. These teams had to come from Guatemala City, because in the localities the local police and judiciary were too intimidated by the gangs to act against them. Paz y Paz also created an analysis unit at the center, where all the information about the networks was recorded and their relationships could be uncovered. Another important tool was the creation of special “courts of greatest risk” in Guatemala City,



where judges could be offered a higher level of security.

The second key component was international collaboration: working hand-in-hand with law enforcement and judicial authorities in other countries. Paz y Paz said the US was a critical ally in this struggle, especially the Justice Department and DEA. Guatemalan law enforcement also collaborated closely with Mexico and El Salvador in gathering information and building cases. Paz y Paz explained that international cooperation was crucial, not only for technical support, but because in many cases the U.S. was in a better position to prosecute the criminals and keep them secure before, during and after the trials. She said that working with U.S. authorities, they were able to arrest 10 of the criminals on DEA’s most wanted list.

Paz y Paz noted that asset seizure was another important element in the strategy. The seized assets go to Guatemala’s Treasury with the specific purpose of funding the continuing struggle against organized crime. She said that the assets are a significant source of resources for the authorities, but their seizure has an even more important symbolic importance, since the drug lords often flaunt their ill-gotten wealth on YouTube videos as evidence of their success.

Thanks to this campaign, over a hundred members of the Zetas have been caught and tried. The organization has been weakened, but not destroyed. Two key challenges remain for Guatemala:

1. The state does not control the prison system, and drug traffickers imprisoned in Guatemala continue to run their businesses with little hindrance. Until this changes, it will be important to have the criminals imprisoned in the US, whenever possible.
2. Organized Crime linked to drug trafficking still has enormous influence in the government, has infiltrated the political parties, and is particularly influential at

the local level, especially in the areas bordering Honduras and Mexico.

Following Dr. Paz y Paz's presentation there were numerous questions from the audience of 40+ including: the role of Guatemala's armed forces, the contribution of civil society; how to convince the political elite of the need to invest in security; how to deal with conflicts between gangs and traffickers; the truce proposed between gangs in El Salvador, violence against the indigenous population; the upcoming end of the CICIG mandate, and the public impact of the anti-crime campaign.

Video of the event can be seen at <http://traccc.gmu.edu/events/previously-hosted-events/>

Demand for Dirty Entanglements Continues

When TraCCC hosted the launch of Dr. Louise Shelley's newest book, Dirty Entanglements, it proved to be just the beginning of buzz this book would create. Since the launch event at George Mason University, Dr. Shelley has been in high demand to provide her expertise and analysis on the current entanglements of corruption, transnational crime, and terrorism. The diversification of terrorist funding operations

has been a key theme throughout many of these speaking engagements and interviews.

Sales of the book in Germany prompted interviews with renowned publications, Die Welt and Der Spiegel, and presentations at the German Parliament and the Hertie School of Governance in Berlin. Dr. Shelley and her book have been featured at events at the Carnegie Endowment for International Peace, C-Span, and Global Witness. Input and statements from Dr. Shelley have been used in pieces from numerous academic and media outlets from NPR to BBC to The Fiscal Times.

Photo courtesy of Cornelius Winter, Hertie School



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