

SYLLABUS
PUBP763.001 Illicit Trade
Spring 2020
Schar School of Policy and Government, George Mason University
Professor: Louise Shelley

Office Hours: ALRFH Room 712
Mondays 3:00 to 4:00 and by appointment
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Course Description

This class examines the transformation of illicit trade. It examines how the new technology, communications, and globalization fuel the exponential growth of dangerous forms of illegal trade—the markets for narcotics and child pornography online, the escalation of sex trafficking through web advertisements, and the sale of endangered species for which revenues total in the hundreds of millions of dollars. The illicit economy exacerbates many of the world’s destabilizing phenomena: the perpetuation of conflicts, the proliferation of arms and weapons of mass destruction, and environmental degradation and extinction. The class explores illicit trade in tangible goods—drugs, human beings, arms, wildlife and timber, fish, antiquities, and ubiquitous counterfeits—and contrasts this with the damaging trade in cyberspace, where intangible commodities cost consumers and organizations billions as they lose identities, bank accounts, access to computer data, and intellectual property. It also examines the individuals behind this trade and the policies and legislation needed to address it.

Text

There will be one required text. All other readings will be available on blackboard or through links.

Louise Shelley: *Dark Commerce: How a New Illicit Economy is Threatening our Future*
(Princeton University Press)

Learning Outcomes

- 1) To understand the complexity of illicit trade and the diverse strategies used to address it
- 2) Improve analytical and presentation skills
- 3) Improve research and writing skills
- 4) Development of ability to integrate materials from many different disciplines

Course Requirements

To achieve these objectives the course requirements are as follows:

Reading:

A significant amount of reading is required for the course. Students who fall behind will have a difficult time catching up. Students are expected to do the assigned reading in advance of the class. The class will presume knowledge of the readings assigned for that week.

Please read the newspapers regularly to keep up with recent developments on illicit trade. We will discuss these.

The readings will be available on Blackboard if they are not available through links on the web provided in the syllabus.

Attendance:

Students will be expected to attend the whole class. Attendance will be taken. Your grade will be reduced for unexplained and unexcused absences. Please inform us if you will be absent from a class.

Grading

Class attendance and Participation: Each student is expected to attend each class period and contribute to discussions during the class. The student should notify the Professor and the TA of any absences in advance; short written assignments may be assigned to make up for any missed classes. *This assignment is worth 20% of the final grade.*

Mid-Term Exam: There will be a **MID-TERM EXAM ON April 20th**. It will combine short identifications and long essays. The exam will draw on the readings, class lectures, and discussions. *This assignment is worth 30% of the final grade.*

Class Presentation: The class presentations coincide with the material for the course. Three or four people will work in groups to analyze their topic. You will do a group presentation on a notable case of illicit trade for which there is extensive documentation. You will lead a discussion of this actual case and prepare a PowerPoint for presentation to the class. Cases and subject are suggested in the syllabus but there is a possibility of substitution and addition. The class presentations should include information on the extent of trade, the supply chains for this trade and the participants. **They will start on Week 5.** *This assignment is worth 20% of the final grade.*

Term Paper: Each student will complete a **TERM PAPER DUE May 11**. The paper should be 15 -20 pages, standard reference format. It should be submitted electronically. 30 percent

The topic will be chosen after consultation with the instructor. **An outline and short bibliography for the paper is due on February 17.** The paper can use insights that are obtained from the oral presentation. It should discuss a topic related to illicit trade and should develop a bibliography of diverse sources. Examples of suitable topics are: illicit trade in antiquities, illicit wildlife, counterfeit goods, human trafficking in a particular region, and illicit trade in online marketplaces or the dark web. You can choose to focus on a particular area of illicit activity, a region of the world where this trade goes

or a strategy or set of strategies that can be used to address the problem. An accepted system of referencing should be used such as the Chicago Manual of Style, https://www.chicagomanualofstyle.org/tools_citationguide.html. *This assignment is worth 30% of the final grade.*

Plagiarism:

Plagiarism is representing or submitting someone else's language or ideas as your own. Plagiarism is strictly prohibited by the University and will lead to disciplinary action. You must write your own papers. Identify, with quotation marks and footnotes, direct quotations from others. Identify, with footnotes or attribution in the text of your writing, ideas of others that you have paraphrased.

Weekly Schedule

Week 1. January 27 - Introduction to the Course

What is illicit trade? Is it the same as illegal trade? Why is illicit trade now defined as a national security issue? How has it grown? How do we know that it has grown? Why does it have pernicious consequences that exceed its share of the global economy? Why is illicit trade a different problem from that of transnational organized crime? How large a problem is it today?

Read:

- See Channing May, *Transnational Crime and the Developing World*, March 2017, http://www.gfintegrity.org/wp-content/uploads/2017/03/Transnational_Crime-final.pdf, pages xi-xiv

Week 2, February 3 - The Transformation of Illicit Trade

How has illicit trade changed from ancient times to the present? What functions has illicit trade served for states and individual perpetrators? What has caused the dramatic change of illicit trade in recent years? Why is a problem of central concern?

Read:

Required:

- 1) *Dark Commerce*—introduction and Chapter One, pages 1-36
- 2) Alan L. Karras, *Smuggling: Contraband and Corruption in World History*, chapter 1, pages 1-18 (Blackboard)
- 3) Michael Kwass, “Smuggling, Rebellion, and the Origins of Global Capitalism,” Harvard University Press blog, July 28, 2014, https://harvardpress.typepad.com/hup_publicity/2014/07/smuggling-rebellion-and-the-origins-of-global-capitalism-michael-kwass.html, all pages

Recommended:

- 1) Charles Tilly, "War Making and State Making as Organized Crime," in *Bringing the State Back In*, ed. Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol (Cambridge: Cambridge University Press, 1985), <https://www.jesusradicals.com/uploads/2/6/3/8/26388433/warmaking.pdf> , pages 169–186

Week 3, February 10 – The Making of Modern Illicit Trade: From 1800 to the End of the Cold War

Why did the drug trade and the sale of humans become significant elements of illicit trade only in this period? How did the violent wars and revolutions of the 20th century contribute to the growth of illicit trade? How did the industrial revolution contribute to different and new forms of illicit trade?

Read:

Required:

- 1) Susan Strange, *Retreat of the State: Diffusion of Power in the World Economy* (New York: Cambridge University Press, 1996), pages 3-11 (Blackboard)
- 2) Peter Andreas, *Smuggler Nation. Tariff invaders and enforcers*, Chapter 10, 177-190, available through the GMU library online: <https://ebookcentral-proquest-com.mutex.gmu.edu/lib/GMU/detail.action?docID=1132277>
- 3) *Dark Commerce*: Chapter 2, pages 37-60
- 4) The National Archives contains numerous trial records and ship records of illicitly transported slaves to the United States; see "The Slave Trade," National Archives, <https://www.archives.gov/education/lessons/slave-trade.html> (see for example Shirley, Isaac v. Charming Sally, Schooner, 1803) . We will look at some of these cases together.

Recommended:

- 1) H. Richard Friman and Peter Andreas, "Introduction: International Relations and the Illicit Global Economy," in the *Illicit Global Economy & State Power*, pages 1-17.

Week 4, February 17 - The Development of Illicit Trade in the Post-Cold War Era

Please hand in outlines for term paper

Why is illicit trade fundamentally different in the last few decades than previously in history? How has resource scarcity changed the products of illicit trade? How and why have there been regional shifts in illicit trade? How has the new technology transformed illicit trade? To what extent is the state behind the illicit trade in the cyber world?

Read:

Required:

- 1) *Dark Commerce: How Did We Get Here? Drivers of the Post–Cold War Expansion*, chapter 3, pages 61- 86
- 2) OECD, *Illicit Trade: Summary and Convergence of Criminal Networks*, <https://www.oecd.org/gov/risk/charting-illicit-trade-9789264251847-en.htm>, pages 13-35
- 3) Carolyn Nordstrom, *Global Outlaws: Crime, Money, and Power in the Contemporary World* (Berkeley: University of California Press, 2007), pages xv-xxi (Blackboard)

Recommended:

- 4) Nils Gilman, “The Twin Insurgencies: Plutocrats and Criminals Challenge the Westphalian State,” in *Beyond Convergence*, <https://cco.ndu.edu/Portals/96/Documents/books/Beyond%20Convergence/BEYOND%20CONVERGENCE%20%20World%20Without%20Order%20.pdf?ver=2016-10-25-125406-170> , pages 47-60

Week 5, February 24 - Illicit Trade and National Security and Conflict (WMD, Arms Trade and other Commodities that Threaten Security)

More than the international arms trade threatens national and regional security as illicit trade funds and prolongs conflict. Financing for insurgencies and terrorism comes from a diverse range of commodities such as wildlife, coltan, gold and other precious metals and, of course, narcotics. When did illicit trade come to be seen as a national and international security problem and how does this affect the response?

Read:

- 1) UN Security Council Resolution 2195, <https://www.un.org/press/en/2014/sc11717.doc.htm>
- 2) US National Security Strategy, 2017, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf> , pages 11-12
- 3) Munich Security Conference, Munich Security Report 2019, The Smuggle is Real, <https://securityconference.org/en/publications/munich-security-report-2019/>, pages pp.58-6
- 4) *Small Arms Survey*, <http://www.smallarmssurvey.org/fileadmin/docs/M-files/SAS-Annual-Report-2018.pdf>, pages 9-11, 14-16, 21-22
- 5) David Albright, Andrea Stricker, “The World of Illicit Nuclear Trade: Present and Future”. In Matthew Bunn, Martin B. Malin, William C. Potter, and Leonard S. Spector (Eds). *Preventing Black-Market Trade in Nuclear Technology*. pages 23-47 (Blackboard)

Case study 1: Victor Bout case (traditional weapons):

- https://sherloc.unodc.org/cld/case-law-doc/criminalgroupcrimetype/usa/2013/united_states_v_viktor_bout.html?lng=en&tmpl=ssherloc;
- <http://www.internationalcrimesdatabase.org/Case/2240/Bout/>
- <https://www.nytimes.com/2011/11/03/nyregion/viktor-bout-guilty-in-arms-trafficking-case.html>

- <https://www.justice.gov/opa/pr/international-arms-dealer-viktor-bout-convicted-new-york-terrorism-crimes>

Case Study 2: Iranian procurement network (for nuclear program):

- <http://web.b.ebscohost.com/ehost/detail/detail?vid=0&sid=560d2762-4514-40fb-96b6-1457a94a7e0f%40sessionmgr101&bdata=JnNpdGU9ZWZWhvc3QtbG12ZQ%3d%3d#AN=87386879&db=f5h>
- <https://home.treasury.gov/news/press-releases/sm706>
- <https://www.wisconsinproject.org/crackdown-on-iranian-network-underscores-pattern-in-illicit-procurement/>

Week 6, March 2 - Illicit Trade and Sustainability

Increasingly, the world's natural resources have become subjects of illicit trade. This includes fish, timber, and water. The disposal of waste, particularly hazardous and e-waster threatens the sustainability of the planet.

Read:

- 1) *Dark Commerce*: chapter 4, pages 87-111
- 2) Amanda Shaver and Sally Yozell, *Casting a Wider Net: The Security Implications of Illegal, Unreported and Unregulated Fishing*, 2018, Stimson Center, <https://www.stimson.org/sites/default/files/file-attachments/Casting%20a%20Wider%20Net%20Report.pdf> pages 4-18.
- 3) Tracit, Mapping the Impact of Illicit Trade on the Sustainable Development Goals https://unctad.org/meetings/en/Contribution/DITC2019_TRACIT_IllicitTradeandSDGs_fullreport_en.pdf, pages 5-10, 11-30
- 4) Interpol, Rhipo and Global Initiative against Transnational Organized Crime, *World Atlas of Illicit Flows*, <https://globalinitiative.net/wp-content/uploads/2018/09/Atlas-Illicit-Flows-FINAL-WEB-VERSION-copia-compressed.pdf> , pages 6-18
- 5) Global Witness, *Unsanctioned Trade: How US Purchases of Rainforest Timber Risk Breaking Terror Sanctions*, <https://www.globalwitness.org/en/campaigns/forests/us-consumers-risk-funding-hezbollah/>, all

Spring Break: week of March 9th

Week 7, March 16 - The Business of Illicit Trade

Illicit trade is a global business that often intersects with the licit economy. One of the challenges that illicit traders face is disposing of their profits, known as the problem of money laundering.

Read:

- 1) *Dark Commerce*, Chapter 5, pages 111-48

- 2) Danielle Camner Lindholm and Celina B. Realuyo, “Threat Finance: A Critical Enabler for Illicit Networks,” in *Convergence*, pages 111-130,
<http://ndupress.ndu.edu/Portals/68/Documents/Books/convergence.pdf>
- 3) Moises Naím, *Illicit*, chapter 7: The Money Washers, pages 131-56 (Blackboard)
- 4) Watch this short video: <https://www.youtube.com/watch?v=h40LEsnretc>

Case Study 3: Dansk Bank and Russian Money Laundering:

- <https://www.occrp.org/en/troikalaundromat/> (and related materials)
- <https://foreignpolicy.com/2018/10/08/the-danske-bank-scandal-is-the-tip-of-the-iceberg-money-laundering-estonia-denmark-regulation-financial-crime/>
- <https://www.occrp.org/en/daily/11121-danske-bank-offered-russian-clients-gold-to-hide-money-2>

Week 8, March 23 - Illicit Trade in the Cyberworld

Increasingly illicit trade is being carried out in cyberspace by means of both the world wide web, the dark net and social media. This trade is proceeding in a variety of both tangible and virtual products such as malware, ransomware and botnets.

Read:

- 1) Marc Goodman, *Future Crimes: Everything Is Connected, Everyone Is Vulnerable, and What We Can Do About It* (New York: Doubleday, 2015), chapter 10, “Crime, Inc.” pages 215-244 (Blackboard)
- 2) Cyber-Digital Task Force Report, July 2018,
<https://www.justice.gov/ag/page/file/1076696/download>, pages 23-46
- 3) Neil Brodie, “The Internet Market in Antiquities,” in *Countering Illicit Traffic in Cultural Goods: The Global Challenge of Protecting the World’s Heritage*, ed. France Desmarais, available at: <https://traffickingculture.org/app/uploads/2016/01/2015-Brodie-ICOM-Internet.pdf>, all
- 4) Sentencing of the operator of Silk Road, <https://www.justice.gov/usao-sdny/pr/ross-ulbricht-aka-dread-pirate-roberts-sentenced-manhattan-federal-court-life-prison>
- 5) Sean Foley, Jonathan R. Karlsen and Tālis J. Putniņš, “Sex, Drugs, and Bitcoin: How Much Illegal Activity Is Financed Through Cryptocurrencies?” (January 15, 2018).
<https://ssrn.com/abstract=3102645>, pages 1-15

Case study 4: Trade in intangible products: Evil Corp:

- <https://home.treasury.gov/news/press-releases/sm845>
- <https://www.justice.gov/opa/press-release/file/1223586/download>
- https://www.washingtonpost.com/national-security/two-russian-nationals-charged-in-hacking-schemes-that-officials-say-caused-tens-of-millions-in-damages/2019/12/05/b7beefea-176f-11ea-8406-df3c54b3253e_story.html
- <https://krebsonsecurity.com/2019/12/inside-evil-corp-a-100m-cybercrime-menace/>

Week 9, March 30 - Destroyers of Human Life

The individuals involved in the illicit drug trade, human trafficking and the sale of harmful medicines and food are more than just organized criminals. A diverse variety of individuals direct and facilitate such activity including a variety of non-state actors, government officials, professionals, and members of the business community.

Read:

- 1) *Dark Commerce*, Chapter 6, 149-177
- 2) UN World Drug Report, UN World Drug Report for 2017, https://www.unodc.org/wdr2017/field/Booklet_1_EXSUM.pdf, pages 9-32.
- 3) UNODC (2016): Global Report in Trafficking in Persons Trafficking in Persons: Global Patterns executive summary, http://www.unodc.org/documents/data-and-analysis/glotip/2016_Global_Report_on_Trafficking_in_Persons.pdf, pages 5-12, 15-17, 23-29
- 4) Interpol, Rhipro and Global Initiative against Transnational Organized Crime, *World Atlas of Illicit Flows*, <https://globalinitiative.net/wp-content/uploads/2018/09/Atlas-Illicit-Flows-FINAL-WEB-VERSION-copia-compressed.pdf>, pages 76-102

Case Study 5: Illicit Migrant Flows:

- <https://www.occrp.org/en/investigations/tricked-into-the-migrant-trade>
- <https://www.occrp.org/en/daily/8171-greece-leaders-of-smuggling-network-get-1-400-year-sentence>
- <https://www.europol.europa.eu/newsroom/news/smuggling-network-creating-look-alikes-busted-in-greece>
- <https://www.aljazeera.com/indepth/features/2017/01/world-human-smuggling-170123122824101.html>

Week 10, April 6 - Destroyers of the Planet

Increasingly illicit traders are targeting the limited resources of the planet for profit. They are also causing harm to the planet by trading in goods that are harmful to soil, sea and land.

Read:

- 1) *Dark Commerce*, Chapter 7, 178-204
- 2) Christian Nellemann et al., eds., *The Rise of Environmental Crime—A Growing Threat to Natural Resources, Peace, Development, and Security: A UNEP/ INTERPOL Rapid Response Assessment*, United Nations Environment Program (UNEP), 2016, <http://wedocs.unep.org/handle/20.500.11822/7662> , pages 19-21, 36-63 (many pictures)
- 3) McKenzie Funk. “The Hack that Warmed the World”, *Foreign Policy*, January 30, 2015. <https://foreignpolicy.com/2015/01/30/climate-change-hack-carbon-credit-black-dragon/>
- 4) Interpol, Rhipro and Global Initiative against Transnational Organized Crime, *World Atlas of Illicit Flows*, <https://globalinitiative.net/wp-content/uploads/2018/09/Atlas-Illicit-Flows-FINAL-WEB-VERSION-copia-compressed.pdf>, pages 18-76 , (look at maps and routes)

Case Study 6: Lumber Liquidators

- <https://www.justice.gov/opa/pr/lumber-liquidators-inc-sentenced-illegal-importation-hardwood-and-related-environmental>
- <https://eia-global.org/press-releases/lumber-liquidators-sentenced-for-smuggling-illegal-wood-into-the-united-sta>
- <https://www.natlawreview.com/article/lessons-lumber-liquidators-recent-lacey-act-criminal-sentence-are-you-exposed-to>

Case Study 7: Earth League International, Operation Fake Gold (The Totoaba Supply Chain)

- <https://earthleagueinternational.org/operation-fake-gold/>

Week 11 April 13 - Illicit Trade, Financial Flows and Human Rights,

Human rights are undermined by the violence and human exploitation linked to illicit trade. Moreover, the illicit financial flows that accompany illicit trade deprive states of revenues and undermine the capacity of states to meet goals for sustainable development

Read:

- 1) Peter Andreas and Joel Wallman, “Illicit Markets and Violence: What is the Relationship?” *Crime, Law and Social Change* 52.3 (2009):
<https://search.proquest.com/docview/216167602?OpenUrlRefId=info:xri/sid:primo&accountid=14541>, pages 225–229.
- 2) Labor Trafficking
 - a. “List of Goods Produced by Child Labor or Forced Labor,” US Department of Labor, September 30, 2016, <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>
 - b. Democratic Republic of Congo: “This is What We Die For: Human Rights Abuses in the Democratic Republic of the Congo Power the Global Trade in Cobalt,” <https://www.amnesty.org/en/documents/afr62/3183/2016/en/>, pages 4-10,
 - c. Robin McDowell, Margie Mason and Martha Mendoza, “AP investigation: Slaves May Have Caught the Fish you Bought,” March 25, 2015, <https://www.ap.org/explore/seafood-from-slaves/ap-investigation-slaves-may-have-caught-the-fish-you-bought.html>
- 3) Illicit Financial Flows
 - a. Thomas Pogge, “Illicit Financial Outflows as a Drag on Human Rights Realization in Developing Countries,” <http://www.gfintegrity.org/wp-content/uploads/2015/09/Ford-Book-Final.pdf> , pages 7-19

Week 12 (April 20) - Mid Term Exam

Weeks 13 (April 27) and 14 (May 4) - What to do about it? Policy on Illicit trade

What can be done to effectively combat illicit trade when states are weak and much illicit activity increasingly occurs outside of state control? What is the role of governments and civil society in addressing the problem of illicit trade? What kinds of regulations and measures are needed to address illicit trade in cyber space?

Read:

- 1) Dark Commerce, chapter 8 and Conclusion, pages 205-50
- 2) Asif Efrat, *Governing Guns, Preventing Plunder: International Cooperation against Illicit Trade* (Oxford: Oxford University Press, 2012), pages introduction, 3-20 (Blackboard)
- 3) Global Initiative against Transnational Organized Crime, “Battling Human Trafficking: A Scrutiny of Private Sector Obligations under the Modern Slavery Act,” 2018, <http://globalinitiative.net/wp-content/uploads/2018/05/Battling-Human-Trafficking-A-Scrutiny-of-Private-Sector-Obligations-under-the-Modern-Slavery-Act-Global-Initiative-RESPECT-2018.pdf> , pages 21-24
- 4) OECD, Governance Frameworks to Counter Illicit Trade, <https://www.oecd.org/gov/governance-frameworks-to-counter-illicit-trade-9789264291652-en.htm>, pages 15-19, 23-72
- 5) California Transparency in Supply Chains Act, <https://oag.ca.gov/SB657>
- 6) Sanctions to Combat Illicit Trade, OFAC sanctions, <https://www.treasury.gov/resource-center/sanctions/Pages/default.aspx>
- 7) Counter Narcotics Trafficking Sanctions, <https://www.treasury.gov/resource-center/sanctions/Programs/Pages/narco.aspx> and <https://www.treasury.gov/resource-center/sanctions/Programs/Documents/drugs.pdf>

Final Work Due May 11, between 4:30pm to 7:15pm

Plagiarism: University standard policies on plagiarism apply.

SPP Plagiarism Policy:

The profession of scholarship and the intellectual life of a university as well as the field of public policy inquiry depend fundamentally on a foundation of trust. Thus any act of plagiarism strikes at the heart of the meaning of the university and the purpose of the School of Public Policy. It constitutes a serious breach of professional ethics and it is unacceptable.

Plagiarism is the use of another’s words or ideas presented as one’s own. It includes, among other things, the use of specific words, ideas, or frameworks that are the product of another’s work. Honesty and thoroughness in citing sources is essential to professional accountability and personal responsibility. Appropriate citation is necessary so that arguments, evidence, and claims can be critically examined.

Plagiarism is wrong because of the injustice it does to the person whose ideas are stolen. But it is also wrong because it constitutes lying to one's professional colleagues. From a prudential perspective, it is shortsighted and self-defeating, and it can ruin a professional career. The faculty of the School of Public Policy takes plagiarism seriously and has adopted a zero tolerance policy. Any plagiarized assignment will receive an automatic grade of "F." This may lead to failure for the course, resulting in dismissal from the University. This dismissal will be noted on the student's transcript. For foreign students who are on a university-sponsored visa (e.g. F-1, J-1 or J-2), dismissal also results in the revocation of their visa.

To help enforce the SPP policy on plagiarism, all written work submitted in partial fulfillment of course or degree requirements must be available in electronic form so that it can be compared with electronic databases, as well as submitted to commercial services to which the School subscribes. Faculty may at any time submit student's work without prior permission from the student. Individual instructors may require that written work be submitted in electronic as well as printed form. The SPP policy on plagiarism is supplementary to the George Mason University Honor Code; it is not intended to replace it or substitute for it.

Important Student Information:

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 993-2474. All academic accommodations must be arranged through the DRC