

The Unholy Trinity: Transnational Crime, Corruption, and Terrorism

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LONGSTANDING TRANSNATIONAL CRIME GROUPS AND their more recently formed counterparts have a very different relationship to the state and to terrorism.¹ The older crime groups, often in long-established states, have developed along with their states and are dependent on existing institutional and financial structures to move their products and invest their profits. With the exception of Colombia, rarely do the large established crime organizations link with terrorist groups, because their long-term financial interests require the preservation of state structures.² Through corruption and movement into the lawful economy, these groups minimize the risk of prosecution and therefore do not fear the power of state institutions. In contrast, the newer transnational crime groups, often originating in post-conflict situations, thrive in a state of chaos and on-going conflict. In these regions where the shadow economy is dominant, the crime groups are dominant actors in the shadow economy.

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The newer crime groups in ungovernable regions are now forging alliances with terrorist organizations; because the crime groups and terrorist organizations do not possess long-term financial strategies or long-term political horizons, neither the criminals nor the terrorists need fear ineffective and corrupt law enforcement regimes in conflict regions.

Established crime groups have developed in Asia, Latin America, Africa, Europe, and the United States; no region of the world, nor any political system, has prevented their emergence, or succeeded in suppressing them.³ Therefore, international crime groups based in China, Japan, Columbia, Mexico, Nigeria, Russia, Italy, and the United

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States have endured despite the repressive governments of fascist Italy, the Soviet Union, and Chinese communist systems, and the FBI in the United States. They have survived because they often are of service to the state, having corrupted or developed collusive relations with state institutions, or evolved to serve specific functions within the community.⁴

Newer transnational crime groups have proliferated in number and membership since the end of the Cold War. Organized crime groups from the former Yugoslavia, Sri Lanka, Afghanistan, or many of the successor states of the former USSR were not known internationally before the 1990s. Now they operate transnationally, selling drugs, arms, people, and contraband. In their illicit activities, these newer crime groups differ little from the more established ones. In their world, their crime activities are masked within the large shadow economy. Unlike their counterpart U.S., Japanese, or Italian crime groups, however, the newer groups do not profit from state contracts.⁵ Nor do they launder large amounts of money through financial institutions and real estate.⁶ Instead, they thrive on the shadow economy, the absence of an effective state, and endemic corruption.

The newer crime groups most often linked to terrorism have no interest in a secure state. In fact, they promote grievances, because it is through the prolongation of conflict that they enhance their profits.⁷ There is no disincentive for them to cooperate with terrorists because they want neither stability nor a state that can control them. The milieu into which transnational crime, terrorism, and corruption merge is extremely threatening to the international order. The embedded nature of network crime structures in local communities and the inability of both domestic and international militaries, as well as law enforcement agencies, to control their activities make them a growing danger. The failure of the international community to recognize the centrality of this unholy trinity allowed this nexus to flourish in the 1990s and the beginning of this century.

THE RISE AND DIVERSIFICATION OF TRANSNATIONAL CRIME GROUPS

The end of the Cold War and the rise of globalization have concurrently contributed to the growth of new transnational crime groups. These groups have become ever-more important actors in the global illicit economy centered in weak states, whereas state intervention in countries with strong governments has slowed the growth of the mafia in Italy and the United States, the *boryokudan* in Japan, and contributed to the collapse of the Medellin cartel in Colombia.⁸

The rise of globalization after the fall of the Soviet Union has contributed to the rise of newer transnational crime actors. Increased international transport, communi-

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cations, and mobility have given smaller groups increased access to international markets. Moreover, globalization has marginalized and impoverished many communities in the developing world, forcing them to engage in illicit activities to survive. With the collapse of prices for raw commodities in the globalized economy, many farmers, mentored by drug traffickers, have turned to drug cultivation to survive economically. Their only means of survival is to enter into the shadow economy. Others have left their communities, moving vast distances to more affluent countries in search of employment to support their families.⁹ Unable to legally enter the developed countries of Western Europe and the United States, human smuggling rings run by international organized crime groups have arisen to meet the increased demand. Therefore, the rise and diversification of the drug trade and of human smuggling and trafficking in this period are a consequence of the political and economic development of the recent decades.

With the end of the Cold War, the superpower conflict came to a close and an era of smaller regional conflicts emerged in Africa, the Balkans, and throughout the former Soviet Union.¹⁰ Powerful crime groups have materialized in these new conflict zones, whose crime activities have provided the funds to purchase arms and pay fighters. Operating internationally, they have exploited illicit markets in drugs, people, arms, and diamonds.¹¹ Their greed makes them uneager and unwilling to resolve these conflicts. It is in this respect that their interests converge with those of the terrorists. The terrorists, who for political reasons seek to destroy the existing system, thus share a common objective with the criminals. Both thrive on the violence and the disorder of the state.

The links between transnational crime and terrorism are most evident in the case of Islamic-based terrorism. The links between transnational crime and terrorism, however, are not confined exclusively to jihadist groups; they also exist in other regional conflicts such as in Peru with the Sendero Luminoso and in Nepal with the Maoist insurgents. The drug trade in Afghanistan funds the Taliban and organized crime activity has sustained the Chechen conflict and the violence in Kosovo.¹² International crime in these regions is linked to other parts of the world, as the drugs from Afghanistan are distributed by local crime groups in Europe and Kosovar Albanians traffic women from the former USSR to Western Europe. The fighters from these conflicts are similarly linked. Terrorists trained in Chechnya have been arrested for terrorism in France, and individuals who fought in Afghanistan have subsequently been combatants in the Balkans and in Chechnya. The international crime and terrorist networks particularly intersect in these conflict areas, where law enforcement and border control agencies are both corrupt and, in some cases, entirely collusive with the crime groups.

TRANSNATIONAL CRIME AND THE STATE

The Italian mafia is the prototype for concepts of organized crime. While the mafia developed in Sicily in the mid-nineteenth century, its origins go deep within Sicilian society.¹³ There are similar longstanding international crime groups in many other parts of the world. An example is the Japanese Yakuza which has achieved international prominence in the post-war period, with origins dating to the 1600s.¹⁴ The same can be said for the Chinese triads, operating particularly in Southern China, whose origins lie in nineteenth century Chinese history.¹⁵

By corrupting and sometimes penetrating the state, these crime groups create a collusive relationship, expending significant amounts of human and financial capital to influence the state. They may, therefore, contribute to political campaigns, run candidates for office, or vote as a bloc to influence the electoral process, as has happened in Italy. In Colombia, before the emergence of large-scale guerilla movements, noted drug trafficker Pablo Escobar ran for parliament and developed a political party.¹⁶

Often these crime groups are highly nationalistic. The Yakuza in Japan served the Emperor prior to World War II by putting down political opponents. Their high degree of nationalism has made them allies of the conservative Japanese police, neutralizing control of their activities until recently. Also during World War II, elements of the mafia in the United States guarded the waterfront in order to prevent German sabotage. In another case, the mafia in contemporary Sicily broke off ties with a particular Albanian organized crime group when informed that they were terrorists. It is clear that the crime groups have interests that coincide with the long-term ability of the state to maintain its viability.

This symbiotic relationship has proved valuable to the rise of traditional crime groups. Italian and Japanese organized crime groups have benefited enormously from the post-war recoveries of their countries. They have profited from valuable public construction contracts possibly as much as from their illegal activities. The economic development of the state is therefore of paramount importance to them because they are parasites on the state's economy and financial institutions.

New transnational crime groups, however, thrive in the chaos of war and enduring conflicts. They have no interest in the endurance of the state; rather, their profits are made by destabilizing the state and its structures. The declining importance of the nation-state in recent decades has fostered these new forms of transnational crime groups. There are important reasons why the new types of transnational crime share common interests with terrorists. The terrorist-transnational crime relationship extends beyond a marriage of convenience that generates profits or provides logistics: it goes to the very heart of the relationship between crime groups and the state. The new transnational

crime groups, often operating regionally, exploit porous borders and dysfunctional state institutions where territory is outside the control of the central state. They capitalize on the fact that legal controls are state-based by exploiting differences in legal norms and procedures among jurisdictions. Often embedded in the host society, this crime is not family-based, nor is it hierarchically and rigidly structured like the mafia. Instead,

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it draws on different levels of society that contribute in different ways to the perpetuation of the crime activity. This pattern has been observed in the Balkans and the Caucasus, as well in Afghanistan.

In many conflict regions, the shadow economy is the only functioning economy. In the Balkans, small-scale cigarette smuggling has supported many lower income individuals, whereas drug and human trafficking, as well as a criminalized privatization process benefited governmental elites, particularly the criminalized military and security forces.¹⁷ In the Caucasus, impoverished women move small amounts of cigarettes across the border to support themselves. Crime groups, in collusion with corrupt law enforcement and border guards, move arms and other valuable commodities.¹⁸ In Afghanistan, farmers grow poppies because it secures them more profits than conventional crops, while local warlords staff and provision their forces from the profits made from the drug trade.¹⁹

With so many segments of the society having a vested interest in the perpetuation of crime, it becomes very difficult to disrupt the networks and thereby return the economy to the formal sector. Diverse sectors of society are participants and beneficiaries of the shadow economy. For example, at the present time, forty percent of the Afghan economy is based on the drug trade.²⁰ With relatively high profits and an inability to compete in legitimate international trade, the dependence on a criminalized commodity is assured. The drug trade funds not only the warlords' armies, but also funds the activities of the Taliban and terrorist networks.²¹

TRANSNATIONAL CRIME AND THE ECONOMY

TABLE I: TRANSNATIONAL CRIME AND THE STATE

	Traditional Organized Crime	New Transnational Crime
Attitude to the State	Often nationalistic.	Interests do not coincide with the state.
Relationship to the Nation-State	Grows with the state. Parasitic on nation-state. Depends on state for contracts and services.	Thrives on the absence of effective governance. Grows with the weakened state.
Relation to Corruption	Tool used to influence state officials—operative tool.	Depends on high levels of systemic and institutionalized corruption.
Relation to Terrorism	Usually rejects association with terrorists.	May seek links with terrorists.

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Transnational crime, particularly the drug trade, was estimated in the late 1990s to represent two percent of the world's economy. This percentage was not evenly distributed throughout the international economy, but represented a much larger share of a country's economy in the developing rather than the developed world. Increasingly in the last two decades, however, the drug markets in the developed world have become much more organized and linked with the developing world.²²

Although the markets of the developed and developing world are increasingly interconnected through globalization, very important differences exist in the financial perspectives of the long standing groups versus the newer crime groups. These different economic perspectives also have a profound impact on the links between organized crime and terrorism.

The older transnational crime groups have survived because they take a long-term perspective on profits and sustainability. Even when trading in drugs, which has provided enormous profits, these groups have diversified their investments. For example, the Italian mafia became enormously wealthy as a result of the global drug trade in the 1980s but has invested those profits in tourism and commercial and agricultural real estate.²³ Similarly, the Colombian mafia, having made its profits in drugs, has

expanded into cattle ranches and commercial real estate in Colombia, among other sectors of the legitimate economy. They have combined investments in the illegitimate with the legitimate economy to ensure diversification and long-term stability.²⁴ They often repatriate part of their profits, as well as keeping money in offshore havens, frequently using the services of professional money launderers who, as high status professionals, are able to disguise their profits and investments.

A very different financial pattern exists among the newer transnational crime actors. They have much shorter-term financial objectives. Often, in conflict regions or ones with frozen conflicts, they do not look to the future, but instead need the profits from their illicit trade for their immediate military objectives. In some cases, they use the profits generated from their illegal activities to fund insurgencies or terrorism such as we those in contemporary Afghanistan and in the Caucasus today.

In these conflict regions, crime groups see business differently but also citizens see them as a major force in a large shadow economy. They provide goods and services as well as jobs not provided by the legitimate economy. Therefore, many citizens do not see crime groups in post-conflict regions as purely “bad” but as groups that perform needed economic services for their community.

These new crime groups may trade in both legitimate and illegitimate commodities. The profits of this trade are less likely to wind up in offshore locales as is the case with the longstanding crime groups. As their profits are smaller, their needs are more immediate and they are less interested in the costly maintenance of paramilitaries or other strategic forces. Their funds are therefore not invested with the intention of capital preservation or long term growth. They are less likely to interact with the professionals who launder funds for the Colombian drug cartels or the Italian mafia, instead using wire transfers to move money from abroad, as in the case of some Balkan groups or as *hawala*, the system of parallel banking in the Middle East that assists in moving funds for the drug networks operating out of Afghanistan.²⁵ Invariably, they have more limited contact with the financial institutions of the international banking community; therefore, they have much less need for the preservation of existing state institutions.

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TABLE 2: TRANSNATIONAL CRIME: FINANCIAL PERSPECTIVES

	Financial Perspective	Income Sources	Money Laundering
Traditional Organized Crime	Long term survival	Illegitimate and legitimate economy	Offshore locales and domestic economy
New Groups	Shorter term objectives	Primarily illegitimate	Profits used for military and some returned for investment

TRANSNATIONAL CRIME AND COMMUNITY NORMS

Traditional crime groups, due to their longevity within their communities, generally have established familial and network ties. They tend to support stability because they continue to live within the communities in which they operate; for example, Chinese organized crime groups who traffic in human beings need to secure the safe delivery of the individuals they contract to move if they are to ensure that others in the community will continue to pay for their services. The Italian mafia also works within the norms of the Sicilian community.²⁶ The mafia became vulnerable to prosecution by the Italian state when its murders and violence turned some of its members into *pentiti*, or state informers. For example, Tommaso Buscetta turned against the mafia boss, Toto Riina, after he had ordered the murder of over thirty of Buscetta's family members. The Japanese Yakuza have also worked closely with the Japanese police to maintain order in their communities, a value that is praised within Japanese society. In addition, they may curry favor with the community by building schools, hospitals and subsidizing sports activities, in effect providing services that the state has failed to provide. This was the case in Colombia with the narco-traffickers becoming major philanthropists within the community. Similarly, the Yakuza provided major assistance to their fellow citizens after the Kobe earthquake.

As mentioned, the new transnational crime groups thrive in environments where there have been long-term conflicts. These conflicts have destroyed families, community norms, and established communities. Consequently, crime groups function differently within these societies. They are not concerned about the preservation of their own communities to the same extent as the established crime groups. In the Balkans, the women who Kosovar Albanian organized crime groups traffic into the brothels of

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western Europe are from their own community. Similarly, crime groups in the Caucasus region trafficking in arms and drugs, has lead to a proliferation of drug abuse and violence in their region. For example, the recent tragic terrorist act at the school in Beslan, Ingushetia, was lead by a former Ingush police officer who had joined forces with the Chechen rebels.

Normative values therefore do not restrain the new crime groups to the same extent as the more traditional crime groups. This statement may sound odd when considering the social harm that is done by traditional crime groups. However, their desire to perpetuate themselves means that they are less likely to violate the human rights of their community members or to establish highly destructive links with terrorists.²⁷

CONCLUSIONS: NEW TRANSNATIONAL CRIMINAL ACTORS AND TERRORISM

The planning for 9/11 was carried out in Hamburg, Germany. The terrorists who bombed the trains in Madrid in March 2004 supported themselves through crime. The Chinese smugglers known as snakeheads have developed a trade and protection relationship with the IRA in Ireland. The dangerous nexus of transnational crime does not occur exclusively in the developing and transitional world, but in regions without strong state institutions the combination of transnational crime and terrorism assumes its most potent form.

The new transnational crime actors need the state and the established global economy much less than traditional crime groups. With their short-term survival objectives, their interests do not converge with those interested in state-building, nor in supporting the existing international financial system. The decline of stock markets in response to terrorist acts, or the decline in tourism in Bali or the Sinai is not of concern to these newer crime groups because, unlike traditional crime groups, they have not laundered their money into resorts or stocks. Their political calculus is very different from that of the established crime groups who, because of their large-scale investments, mirror their legitimate counterparts, seeking international financial stability to secure their investments.

The regions where transnational crime groups and terrorists converge, particularly the tri-border area in Latin America, the Balkans, the Caucasus, the conflict zones of West Africa, and Afghanistan have provided a safe haven for the nurturing of terrorists and their operations. Although these regions do not have a monopoly on these activities, they have assumed a central role in international insecurity.

The intersection of transnational crime and terrorism is most feasible in regions

with the largest shadow economies. In these regions, the illegitimate activities of both groups are least visible. The funding of terrorism by crime activity is the least risky and the extent and length of collaboration is most pronounced.

The destabilizing nexus of transnational crime and terrorism has proved so intractable because policy-makers continue to think about crime in terms of traditional paradigms. The policy divergence between the United States and Europe, seen most visibly in reference to the war in Iraq, is readily apparent in this policy arena. American policy-makers in the post 9/11 world have focused almost exclusively on terrorism, whereas their European counterparts have focused much more on transnational crime. Neither community's policy-makers are doing the integrative thinking that is required by this new challenge. 

NOTES

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