

GLOBAL TRANSNATIONAL ORGANIZED CRIME: KEY FLOWS AND MARKETS

This paper aims to explore the spatial patterns of transnational organized crime under the conditions of globalization. The available data of UN Office on Drugs and Crime and website www.havocscope.com provide for estimates of the world black market value by comparing the total value of 50 contraband products and illegal activities with the total value of criminal markets in 93 countries. The information is subject to limitations of the incomplete data, differences in calculation, and exaggeration of the problems for political and financial motives, and reflects the nature of the "black market". The spatial analysis of the key "black markets", however, identifies the main illicit flows by types of illegal activities. The values of illegal economic activities as a percentage of GDP and per capita calculated for 93 countries of the world based the first mapping attempt, which confirms that transnational organized crime today is really a global problem, especially in poor and conflict-ridden countries. Notable feature shows that the major illicit flows go to, and/or emanate from major economic powers like G8 or BRIC. The research of component and territorial structure of the global "black market", thus, is essential for the development of effective national and international policies in the fight against transnational organized crime.

Key words: transnational organized crime, illicit flows, illegal economic activities, black market

Introduction. The so-called global challenges – the problems affecting the vital interests of all nations of the world and requiring collective efforts of the world community for their solving, issues that affect the future progress of humanity – became apparent during the last decades. Besides the obvious positive effects of unprecedented openness of trade, finance, communications and movements, globalization gave rise to tremendous opportunities for criminals. Any country in the world can solve the problem of the transnational organized crime alone. The criminal syndicates operate in a lot of countries, at all continents. The hypothesis exist that the most vulnerable to transnational organized crime are poor countries and conflict areas, however in gross terms the world's major economic powers are also the world's biggest markets for illicit goods and services.

The serious problem is the fact that separate studies are devoted either to key illegal goods' flows or to assessment of value of national "black markets" in absolute terms. At the same time, in modern scientific literature there is no analysis of the economic results of activity of transnational organized crime in separate countries in relative terms (e.g. per capita and as a percentage of GDP). This paper aims to conduct a comprehensive analysis of component and territorial structure of the global "black market", that is essential for the development of effective national and international policies in the fight against transnational organized crime.

The nature of transnational organized crime. Transnational organized

crime involves the planning and execution of illicit business ventures by groups or networks of individuals working in more than one country [1]. Transnational crime ring activities weaken economies and financial systems and undermine democracy. These networks often prey on governments that are not powerful enough to oppose them, prospering on illegal activities, such as drug trafficking, that bring them immense profits. In carrying out illegal activities, they upset the peace and stability of nations worldwide, often using bribery, violence, or terror to achieve their goals.

The report of a workshop commissioned by National Institute of Justice (USA), the National Research Council states that three interrelated factors effect the transnational crime: globalization of the economy, increased numbers and heterogeneity of immigrants and improved communications technology. These factors rather facilitate crime, or in some cases, they constitute the criminal opportunities themselves without direct causation impact. For example, immigration does not cause crime. The desire to immigrate, however, may provoke people to violate immigration quotas and regulations and may lead to illegal immigration, which in turn is exploited by criminals. Most of the causes of transnational crime are not new; they are, in fact, quite similar to factors that drive crime in general: disparate socioeconomic conditions, which stimulate migration and its antecedent trafficking in persons; the desire for illegal goods and services, which moves crime into the transnational realm when the suppliers are in one country and the consumers are in another; and the universal greed for money and power.

The challenges in preventing and controlling transnational crime stem from several sources. For example, some crimes arise out of particular cultural or societal conditions and experiences that differ from one country to another. Behaviour that is acceptable in one country may be illegal in another. Crimes that arise out of electronic communications, such as money laundering, are not bound by national borders [2].

Transnational organized crime just recently appeared in the international agenda and attracted the considerable attention. The United Nations Convention against Transnational Organized Crime entered into force in 2003. The next year, the United Nations High-level Panel on Threats, Challenges, and Change, identified transnational organized crime as one of “six clusters of threats with which the world must be concerned now and in the decades ahead.” In February 2010, the UN Security Council noted “with concern the serious threat posed in some cases by drug trafficking and transnational organized crime to international security in different regions of the world” and invited the Secretary-General of the United Nations “to consider these threats as a factor in conflict prevention strategies, conflict analysis, integrated missions’ assessment and planning.” [3; p.1] Stopping the operations of transnational organized crime has thus become a matter of international priority. Translating political will into concrete results will mean achieving two difficult goals: understanding transnational organized crime and integrating national responses into

international strategies.

Under the Organized Crime Convention, *transnational organized crime (TOC)* is any serious transnational offence undertaken by three or more people with the aim of material gain [3; p.1]. This understanding is broader than that popularly used, which tends to focus on multi-crime groups of career criminals.

Regarding trends in transnational organized crime it should be noted, that both highly structured and loosely structured organizations are involved in transnational organized crime, and a number of authorities have argued that the former are losing out to the latter. Under enforcement pressure, the traditional, hierarchical organized crime groups have developed a “cell structure” similar to that seen in terrorist groups, with small networks doing the work formerly performed by more rigid structures.

Rather than being an adaptive response of traditional groups, it appears that these networks of market-driven individuals have always existed in transnational trafficking, but were less visible to law enforcement authorities focused on local crime problems. However, the groups themselves have become less important than the markets with which they engage. Today, organized crime seems to be less a matter of a group of individuals who are involved in a range of illicit activities, and more a matter of a group of illicit activities in which some individuals and groups are presently involved. If these individuals are arrested and incarcerated, the activities continue, because the illicit market, and the incentives it generates, remains [3; p.1-3].

In the past quarter century (namely, since the end of the Cold War), global governance has failed to keep pace with economic globalization. Therefore, as unprecedented openness in trade, finance, travel and communication has created economic growth and well-being, it has also given rise to massive opportunities for criminals to make their business prosper. Organized crime has diversified, gone global and reached macro-economic proportions: illicit goods are sourced from one continent, trafficked across another, and marketed in a third (fig. 1). Mafias are today truly a transnational problem: a threat to security, especially in poor and conflict-ridden countries. Crime is fuelling corruption, infiltrating business and politics, and hindering development.

The most illicit flows go to, and/or emanate from major economic powers (that is, the G8, but also informal groups like the BRIC). In other words, the world's biggest trading partners are also the world's biggest markets for illicit goods and services (fig. 4). On the one hand, this is a logical consequence of the huge increase in the volume of trade. On the other, it reflects the extent to which the underworld has become inextricably linked to the global economy, and vice versa, through the illicit trade of legal products (like natural resources), or the use of established banking, trade and communications networks. Corruption, coercion and white collar collaborators (in the private and public sectors) lower risk to international mafias while the effective logistics they provide increases mafia profits. This model has made transnational crime one of the world's most sophisticated and profitable businesses [3; p.ii].

A brief overview of major illegal markets and types of criminal activity. With regard to *human trafficking*, a greater variety of nationalities of victims have been detected in Europe than in any other region. Cross-border flows are not necessarily long-distance flows. Much of the cross-border trafficking activity was between countries of the same general region, particularly between neighbouring countries. But there was also evidence of intercontinental trafficking. Most remarkably, victims from East Asia were detected in more than 20 countries in regions throughout the world, including Europe, the Americas, the Middle East, Central Asia and Africa. Other long distance flows include the trafficking of African victims to locations in Europe and North America; the trafficking of Central European, Eastern European and Central Asian victims to Europe and the Middle East; and the trafficking of South Asian victims to the Middle East [4; p.11]. After a strong increase at the end of the Cold War, human trafficking to Europe for the purpose of sexual exploitation appears to have stabilized, with women from a wide variety of countries displacing the Eastern European victims that formerly dominated this market.

With regard to *migrant smuggling*, the two most prominent flows are the movement of workers from Latin America to North America and from Africa to Europe. Most irregular migrants to the United States of America enter in an underhand manner across the south-west border of the country and over 90% are assisted by a large number of small scale professional smugglers. It should be noted? that this flow appears to be declining in response to the global financial crisis. The routes for migration from sub-Saharan Africa to Europe have shifted in response to enforcement efforts, so the smugglers are often opportunistic entrepreneurs. While the number of detected migrants has recently declined dramatically, it is too early to draw conclusions about the long-term trend [3; p.v].

Drug trafficking flows vary according to the drug type involved. The most commonly seized drug type, cannabis herb, is often locally produced and thus, international trafficking is limited. Cocaine and heroin are trafficked both intra- and inter-regionally, though considerable amounts are consumed quite far from the countries of cultivation and production. Most ATS-manufacture (amphetamine-type stimulants) occurs in the region of consumption, whereas their precursor chemicals are trafficked inter-regionally. The long-term trends show increased seizures for all the major drug types. Between 1998 and 2009, seizures of cocaine, heroin and morphine, and cannabis almost doubled. ATS seizures more than tripled over the same period. Though it is still the most commonly seized drug, by far, the relative importance of cannabis in total illicit drug seizures has declined, rendering the other drug types – particularly ATS – increasingly prominent. Looking at recent trends, global seizures of ATS rose to a record high in 2009, driven by increases in methamphetamine seizures. Ecstasy seizures, on the other hand, decreased. The predominant type of ATS seized varies according to region, with methamphetamine dominating in Oceania, Africa, North America and much of Asia. Seizures of opiates

remained stable in 2009, with the Islamic Republic of Iran and Turkey continuing to account for the largest national seizure totals. Cocaine seizures also remained largely stable, at a high level. For cannabis, seizures of cannabis herb – the most widely consumed variety – increased, whereas resin seizures decreased. For cocaine and cannabis resin, seizures are shifting away from the main consumer markets to source regions. Both North America and West and Central Europe account for declining shares of global cocaine seizures, while South America is seizing more. Similarly, cannabis resin seizures decreased significantly in Europe but increased in North Africa from 2008 to 2009 [5; p.15].

With regard to *heroin trafficking*, around 90% of the global heroin supply comes from opium poppy cultivated in Afghanistan, and the majority of this is consumed in Europe, the Russian Federation and countries en route to these destinations. The route to the Russian Federation takes advantage of cross-border social and ethnic linkages in the new states of Central Asia, mostly moving the heroin in small amounts on board commercial and private vehicles. In contrast, the flow to Europe appears to be more organized, with much larger shipments crossing a greater number of borders involving states with much higher interdiction capacity.

With regard to *cocaine trafficking*, the vast bulk of the flow proceeds from the Andean region to North America (often via Central America) and Europe (often via West Africa) though an increasing share is directed to the Southern Cone of South America. Consumption of cocaine in the United States has been in long-term decline since the 1980s and has dramatically dropped off since 2006. This is likely due to enforcement efforts in Latin America, but these efforts have increased competition and violence between trafficking groups. International attention and intervention, as well as political changes, appear to have substantially reduced trafficking through West Africa after 2007. Demand in Europe appears to be stabilizing after rapid growth in the last decade.

With regard to *firearms trafficking*, traffickers service two primary markets for illicit arms – those who need weapons for criminal purposes (such as the flow from the United States to Mexico), and those who need them for political ones (such as the flow from Eastern Europe to Africa). Different types of arms and techniques are implicated in each case. Most of the firearms trafficked from the United States to Mexico appear to be acquired from licensed dealers by straw purchasers. Then these firearms trafficked across the border in very small batches by a large number of couriers taking advantage of the high levels of cross-border traffic. This long-standing flow appears to be stable. With massive stocks of arms from the Soviet era, some countries in Eastern Europe, including Ukraine, remain vulnerable to trafficking.

With regard to *environmental resource trafficking*, the trafficking of wildlife from Africa and South-East Asia to other parts of Asia and the trafficking of timber to China and Europe represent two of the best documented flows. While the poaching of large species in Africa captures most of the

attention and the demand for rhinos appears to have recently increased dramatically, the growing consumption of a wide variety of smaller species from South-East Asia could have greater long-term environmental consequences and almost certainly brings more money to organized crime. Measures have been taken to prevent the import of illegally harvested wood, but corruption and “timber laundering” in third countries are undermining these efforts, even as demand grows.

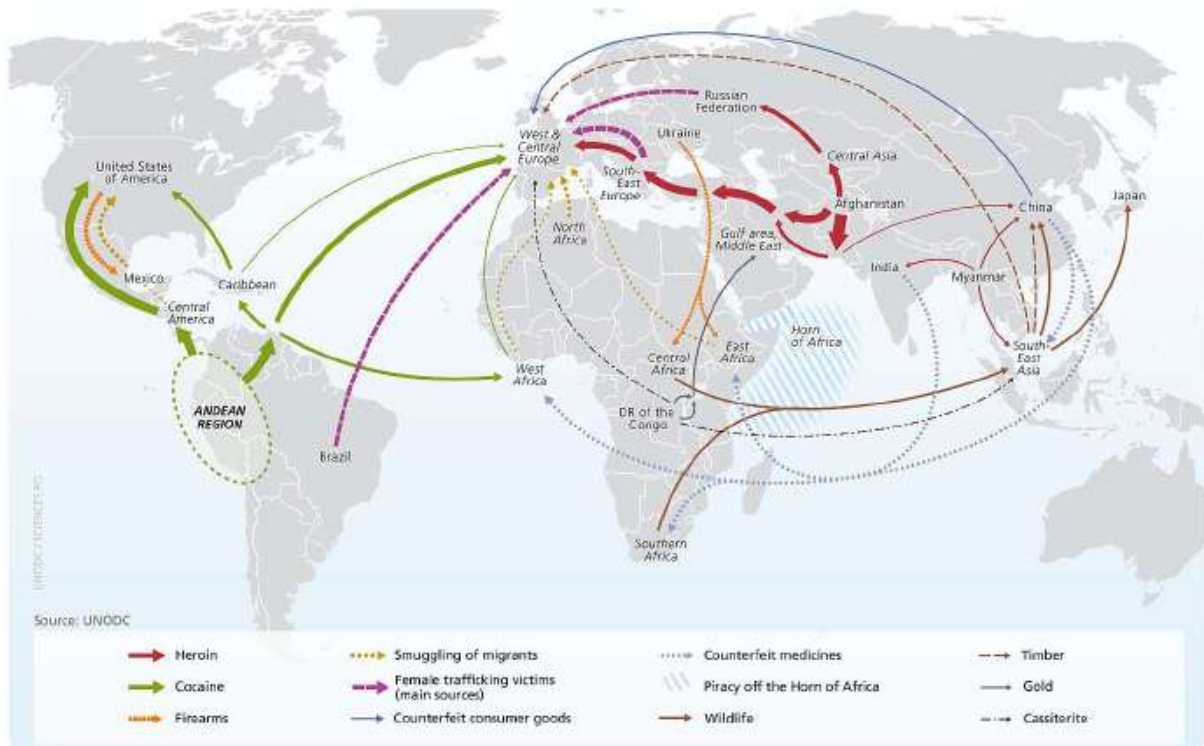


Fig. 1: Main Global Transnational Organized Crime Flows [3; p.2]

With regard to *product counterfeiting*, the outsourcing of production to Asia has fuelled global economic growth, but it has also created opportunities for counterfeiting. This can be seen in the flow of counterfeit consumer goods to Europe and the flow of counterfeit medicines to South-East Asia and Africa. The flow of counterfeit goods into Europe, while small in comparison to licit goods, appears to have increased dramatically in recent years. The lack of accountability for these items renders some classes of goods a serious public safety concern. Trafficking of medicine is an opportunistic crime, emerging where regulatory capacity is low, not where profits would be highest. Because many of these products are dilute versions of genuine products, they may foster the evolution of drug-resistant strains of deadly pathogens.

With regard to *maritime piracy*, the traditional robbery on the high seas has been transformed into a form of kidnapping for ransom, as Somali pirates, sometimes directed by shipping industry insiders, seek a growing number of targets further and further from their national waters.

With regard to *cybercrime*, the Internet has allowed traditional acquisitive

crime, such as identity theft, and transnational trafficking, such as the trade in child pornography, to vastly increase in scope. Online identity theft is still far less common than other forms of the crime, but the potential is much greater, and appears to be most advanced in the United States in terms of both victims and perpetrators. Regarding the production and distribution of child pornography, there was a risk that the rise of the Internet would increase demand and multi-crime groups began victimizing children for profit. To date, this risk does not appear to have been realized, though, as an increasing share of child pornography distributed is exchanged between peers on a non-commercial basis [3; p.v-vi].

The potential effects of the key problems of transnational organized crime are summarized in Table 1.

Table 1.
Extent and effects of transnational organized crime [3; p.16-17]

<i>TOC problem</i>		<i>Estimated extent</i>	<i>Estimated annual value (US\$)</i>	<i>Estimated trend</i>	<i>Potential effects</i>
Trafficking in persons	To Europe for sexual exploitation	70'000 victims (annual) 140'000 victims (stock)	3 billion (stock)	Stable	Human rights violations
Smuggling of migrants	From Latin America to North America	3 million entries (annual)	6,6 billion (income for smugglers)	Declining	Irregular migration, vulnerability of migrants
	From Africa Europe	55'000 migrants (annual)	150 million (income for smugglers)	Declining	Irregular migration, death of migrants
Cocaine	From Andean region to North America	309 tons (depart) 196 tons (at destination)	38 billion (at destination)	Declining	Addiction; drug related crime, corruption and violence in the Andean region; links with illegal armed groups in the Andean region; destabilization and corruption in neighbouring states, Central America and Mexico
	From the Andean region to Europe	212 tons (depart) 124 tons (at destination)	34 billion (at destination)	Stable	Addiction, drug related crime and violence, destabilization and corruption in Andean countries, the Caribbean and West Africa
Heroin	From Afghanistan to the Russian Federation	95 tons (depart) 70 tons (at destination)	13 billion (at destination)	Increasing	Addiction, spread of HIV/ AIDS; increase in organized crime, funding for criminals and insurgents, corruption
	From Afghanistan to Europe (Excl. Russia)	140 tons (depart) 87 tons (at destination)	20 billion (at destination)	Stable	Addiction, increase in organized crime; funding for criminals and insurgents, corruption
Trafficking of firearms	From USA to Mexico	20'000 weapons, mostly handguns	20 million	Stable	Rising deaths in Mexico's drug cartel wars
	From Eastern Europe to the world	At least 40'000 Kalashnikovs in 2007/2008	At least 33 million (in 2007/2008 at destination)	Declining	Death and instability
Trafficking of natural resources	Wildlife from Africa and South-East Asia to Asia	Elephant ivory: 75 tons Rhino horn: 800 kg Tiger parts: Perhaps 150 tiger skins and about 1'500 kg of tiger bones	Elephant ivory: 62 million Rhino horn: 8 million Tiger parts: 5 million	Increasing	Tigers and black rhinos may become extinct in the wild; impact on South-East Asia wildlife unclear; promotion of corruption and organized crime

	Timber from South-East Asia to the European Union and Asia	Perhaps 10 million cubic meters	3.5 billion (at destination)	Declining: Indonesia, Myanmar; Possibly increasing in Lao PDR, Papua New Guinea	Deforestation, loss of habitat, loss of species, climate change, increased rural poverty especially amongst indigenous people, irregular migration, flooding, soil erosion
Product counterfeiting	Consumer goods from Asia to Europe	Some two billion articles per year	8.2 billion (at destination)	Increasing	Loss of product safety and accountability, loss of revenue
	Medicine from Asia to South-East Asia and Africa	Billions of dose units	1.6 billion (at destination)	Unclear	Death, drug-resistant pathogens
Maritime piracy	Off the coast of Somalia	217 attacks in 2009.	100 million	Increasing	Difficulties in establishing Government authority, negative impact on local and international commerce
Cybercrime	Identity theft	Around 1.5 million victims	1 billion	Unclear	Increase in the costs of credit, depressive effects on the economy, loss of trust in e-commerce
	Child pornography	Perhaps 50'000 new images generated annually	250 million	Unclear	Child victimization

In spite of the internal divergence of the various estimates, aggregating them for comparison shows a convergence in the results. The overall best estimates of criminal proceeds are close to US\$2.1 trillion in 2009 or 3.6% of global GDP (95% confidence interval: 2.7%-4.4%). If only typical transnational organized crime proceeds were considered (resulting from trafficking drugs, counterfeiting, human trafficking, trafficking in oil, wildlife, timber, fish, art and cultural property, gold, human organs and small and light weapons), the estimates would be around 1.5% of GDP. About half of these proceeds were linked to trafficking in drugs. Crime proceeds linked primarily to the national sector such as fraud, burglaries, theft, robberies, loan sharking or protection racketeering were not included in these estimates. The best estimates of the amounts of money that are laundered are close to US\$1.6 trillion or 2.7% of GDP in 2009 (confidence interval: 2.1%-4.0%). The best estimates of the amounts of money laundered globally each year fall within the so-called 'consensus range' of 2%-5% of GDP, originally proposed by the head of the International Monetary Fund in 1998 [6; p.9].

According to the website *havocscope.com*, gross receipts from the production of black markets is about \$1.8 trillion, the bulk of which is received from counterfeit drugs (\$200 billion), prostitution (\$186 billion), counterfeit electronics (\$169 billion), marijuana (\$141.8 billion), illegal gambling (\$140 billion), cocaine (\$85 billion), prescription drugs (\$72.5 billion), heroin (\$68 billion), software piracy (\$63 billion) and cigarette smuggling (\$50 billion). These 10 kinds of illegal activities compose 72 per cent of the global the underground economy (fig. 2). Corruption and bribery (\$1.6 trillion), money laundering (\$2.5 trillion) and organized crime (\$322 billion) are not included in the Havocscope World Black Market Value [7].

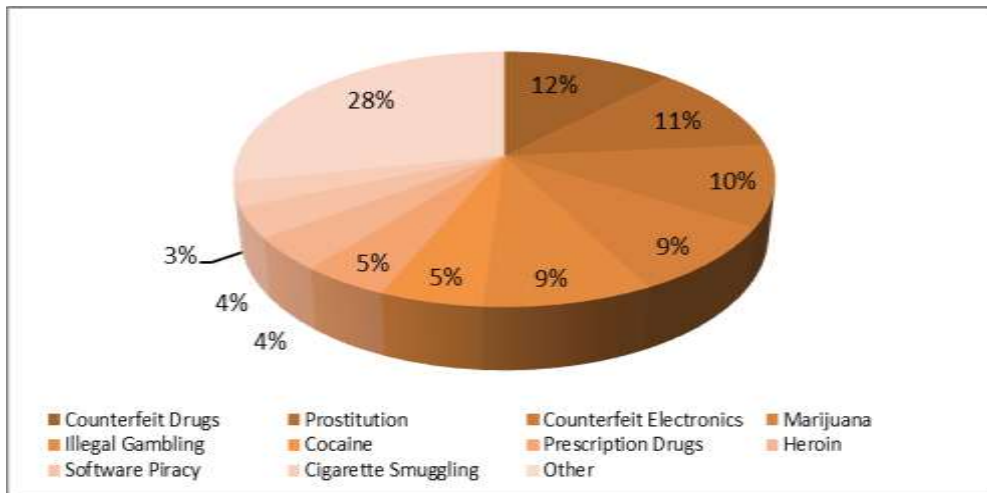


Fig. 2: Financial Values of the Main Global Illegal Activities

The most valuable black markets are located in the following countries: United States (\$625.63 billion), China (\$261 billion), Mexico (\$126.08 billion), Spain (\$124.06 billion), Italy (\$111.05 billion), Japan (\$108.3 billion), Canada (\$77.83 billion), India (\$68.59 billion), United Kingdom (\$61.96 billion). These 10 countries compose 81 per cent of the global the underground economy (fig. 3). The value of Ukrainian black market is estimated as \$4.310 billion [7].

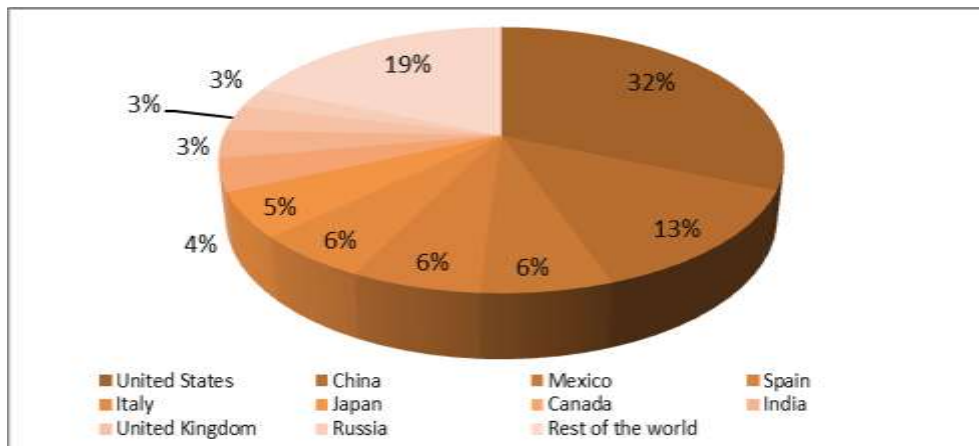


Fig. 3: Financial Values of the Main National Black Markets

With regard to the illegal economic activities as percentage of GDP, black markets of Paraguay and Afghanistan are estimated as 42.6% and 35.4% respectively. Shares of black markets in GDP of some other countries are: 9.5% in Spain, 5.4% in Italy, 3.7% in United States, 2.5% in Ukraine, 2.4% in Russia, 1.1% in Germany, 0.18 in Poland, less than 0.1% in Lithuania, Singapore, Netherlands, Finland, Denmark, Norway, Austria, Belgium etc. (fig. 4).

The highest value of illegal economic activities per capita is observed mostly in highly developed countries (due to high supply and demand for different kinds of illicit goods and services) as well as some countries of Central (due to high income from cocaine traffic) and South America (mostly because of

a large amount of counterfeit production in Paraguay), namely Spain (\$2.6 thousand), Canada (\$2.2 thousand), United States (\$2.0 thousand), Paraguay (\$1.9 thousand), Italy (\$1.8 thousand), Mexico (\$1.0 thousand), United Kingdom (\$970), Israel (\$900), Japan (\$850), Guatemala (\$690). The value of illegal economic activities in Ukraine is estimated as almost \$100 per capita (it is significantly lower than in neighbouring Russia – \$344).

Thus we can see how serious the threat of transnational organized crime is.

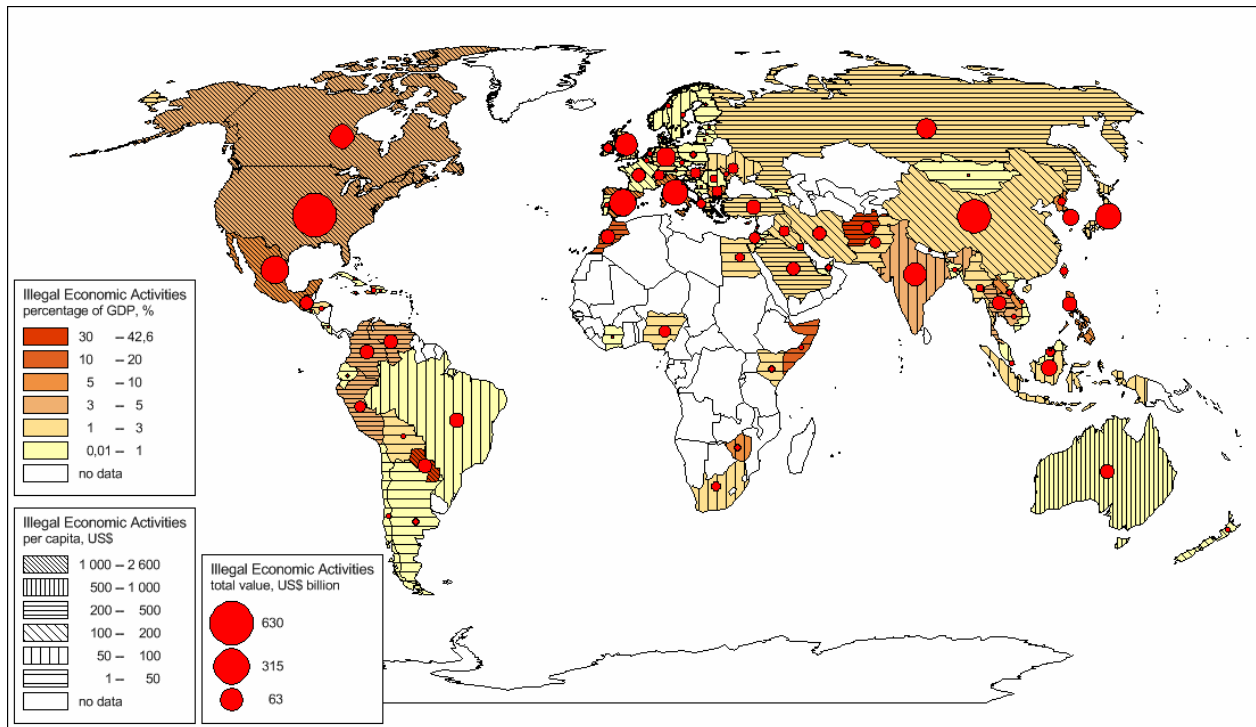


Fig. 4: National Black Markets

Conclusion. In the past quarter century (namely, since the end of the Cold War), global governance has failed to keep pace with economic globalization. Therefore, as unprecedented openness in trade, finance, travel and communication has created economic growth and well-being, it has also given rise to massive opportunities for criminals to make their business prosper. Organized crime has diversified, gone global and reached macro-economic proportions: illicit goods are sourced from one continent, trafficked across another, and marketed in a third. Mafias are today truly a transnational problem: a threat to security, especially in poor and conflict-ridden countries. But most illicit flows go to, and/or emanate from major economic powers. The most actual transnational organized crime problems are human trafficking, migrant smuggling, drug trafficking, firearms trafficking, environmental resources trafficking, counterfeit goods trafficking, maritime piracy and cybercrime. Most of these illegal flows of goods and services are a product of market forces (the presence of supply and demand) rather than the result of some criminal activities

of separate criminal groups. Given the above, the resolution of these problems requires a consolidated approach of all countries, as local actions (for example arrests and imprisonment of criminals) are certainly important, but they only shift the flows of illicit activity and at the same time have almost no impact on most illegal markets.

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