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***Restoring Trust for Peace and Security***

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Organized crime flourishes when there is pervasive corruption and exacerbates the level of corruption in every society in which it exists. Additionally, organized criminals corrupt officials in order to survive and profit. Organized criminals, especially in conflict regions, work with terrorists and insurgents providing logistical support as well as move drugs, arms and people that enable terrorists to operate.

The corruption resulting from organized crime corrodes citizen faith in government. In weak states and in conflict regions, this corruption further destabilizes the state sometimes leading to the total breakdown of order and significant loss of life.

The corruption associated with organized crime functions at all levels of government. In the most pernicious situations the corruption runs from the lowest ranking police officer or border guard at the frontier to the highest levels of government. Unfortunately, on many continents of the world, powerful drug traffickers collude with top officials in law enforcement and the executive branch to perpetrate the drug trade. In the worst cases, heads of state are directly involved in the drug trade to enrich themselves. However, while drugs may be the most lucrative activity for corrupt officials, many also engage in other illicit forms of trade such as that in arms, people, endangered species and money laundering.

Organized crime operates in the most developed countries of the G-8 where corruption allows criminals to obtain lucrative contracts, neutralize law enforcement and even operate from the countries' prisons. Many G-8 countries also receive money from developing countries that have been looted by ruling kleptocrats world who deposit these funds into developed countries' banks, stock markets and real estate. Therefore, corruption and money laundering represent a devastating partnership of the elites of the developing and the developed world.

Political leaders siphon off national revenues and loans made by multinational organizations for structural adjustment and economic development. This corruption has further costs as the servicing of these loans deprives countries of the capital needed for economic development, education, social services and medical care.

The most devastating effects of organized crime are in transitional and developing societies where there is limited state capacity to protect citizens, safeguard the integrity of the political process or prevent the criminal penetration of the economy by organized crime. This is where state capture is most common. Unfortunately, less is known about the operations of organized crime in many weak and remote states that are not easily accessible to researchers.

In many weak and transitional states, organized crime penetrates the law making process preventing the passage of laws to address organized crime or money laundering. Criminals have an added incentive to enter the political process. Immunity from prosecution offered to legislators in many

countries encourages organized crime to invest large sums in the elections of legislators. By means of their entry into the political process as they can deter or undermine both domestic law enforcement and international investigations through their cooptation of government. By entering the state, the criminals commit the ultimate corruption--they subvert the very principles of government. Only the shell of government remains, its institutions are corrupted and serve the interests of a limited elite rather than the citizenry.

In many parts of the developing world today, strong organized crime groups are exploiting the weakness of the state to run their operations. For example, groups from Latin America are operating from the poorest countries of west Africa, and Asian crime groups are exploiting the absence of effective governance in other parts of Africa. With such significant organized crime presence, there is little chance of economic development or of effective governance.

### Corruption and Its Consequences

The corruption that accompanies organized crime has broad effects that transcend many of the most traditionally identified threats. This corruption results in economic distortions, threatens the environment, the quality of life, undermines human security, prevents free and independent media and results in the killing of investigative journalists. Journalists who seek to expose this corruption are frequent targets of violence. Today, investigative journalists who disclose corruption and organized crime are as or more likely to be killed than those journalists operating in conflict regions.

The use of corruption by organized crime groups often means that non-state actors supplant the state creating a new form of authoritarianism. Under this new authoritarianism, the state no longer has the monopoly on violence. Instead, criminals, insurgents and terrorists may exercise force against the citizens as they expect no reprisal from a weakened state.

The trafficking victim in a repressive and corrupt society who pursues the traffickers who sold or sexually exploited her will often see those who victimized her walk away after they have paid off the investigators and/or judge. If the trafficker is sentenced, he may likely leave the prison prematurely as a result of payments to officials. Therefore, the exploitation appears sanctioned by the state and the victim confronted by this injustice suffers psychologically, making recovery and a new life outside of sexual exploitation much less likely.

As recent arrests in Italy have shown, funds allocated for the development of clean and sustainable energy have been hijacked by organized crime groups. Billions have already been wasted as mafia members have colluded with government officials to obtain permits to construct wind farms. But the farms do not perform their functions. They provide an illusion of sustainable energy and siphon off funds needed to provide alternative energy sources. Corruption is not confined solely to this area of environmental activity. Corruption elsewhere also undermines trade in carbon markets and efforts to protect endangered species and forests.

Organized crime, corruption and terrorism are linked. Terrorism is increasingly facilitated and supported by corruption and both low level and higher level transnational crime. The instability brought by corruption and the lack of services available to citizens as a result of state capture means that disgruntled and alienated citizens are ripe for recruitment by crime and terrorist groups. Diminished state capacity as a result of corruption means that states cannot protect their citizens from organized crime that victimizes them or protect their society from the attacks of terrorists.

Corruption has diverse effects. Corruption resulting from to organized crime results in distorted economic policies that benefit the elites and limit economic development. Diverse corrupt actors facilitate different forms of organized crime. Civil servants such as border guards, police and customs officials facilitate drug and other forms of trafficking by taking bribes to augment their low salaries which are often insufficient to provide a living wage. Higher status officials such as consular officers, judges and prosecutors also facilitate sexual and labor trafficking. Moreover, without corruption, a trade in organs could not persist in hospitals. Corruption resulting from organized crime has diverse consequences for the individual, the political system and for economic development. The very sustainability of the planet and human life is threatened by the pervasive corruption.

### Corruption and State Capture

At this time of global recession and acute need for state leadership, many states are subject to state capture whereby a small group shapes governmental policy to its advantage through illicit and non-

transparent activity, thereby ensuring that the state serves their interests rather than those of the general public. The rich and powerful dominate the economy, often forcibly squeezing out smaller actors. Corruption ensures that the rules of the game are written for the benefit of the small elite who are able to capture the state and ensure that it serves their financial interests rather than those of the citizenry at large.

When the state is captured, criminals and their facilitators undermine trust in government and the quality of life. Unlike in the past when captured rulers could be ransomed, current state capture is different. There is no routine process by which the state or its leadership can be readily recovered to ensure a state that serves a broader social and economic good. Rather, the state remains in the hands of the criminals and the corrupt, making the state satisfy their needs rather than those of its citizens.

Efforts to empower civil society, to increase property rights and to reduce the concentration of economic power in the hands of the few are essential to reducing the extent of state capture. But the efforts of a global community such as represented by Transparency International are also needed. Because captured states need to understand that there are consequences in the international community for their failure to serve their citizens.

#### **Why the rise of organized crime?**

Globalization has contributed to the rise of organized crime through the declining importance of states, border controls and the greater movement of goods and people. The globalization of corruption has also contributed to the growth. What has changed with the global economy is that dictators can steal large amounts of money from their treasuries and remove them rapidly to safe havens from which they can rarely be recovered.

The growth of this grand corruption in recent decades correlates very highly with human trafficking. Many of the countries that are rated among the most corrupt in Transparency International's Corruption Perception Index, such as Indonesia, Russia, Ukraine, Nigeria, Bangladesh, the Philippines and Pakistan are major suppliers of people, particularly women and children. Further, in a 2004 Transparency International report, many of these countries' past leaders were identified as among the most corrupt politicians in the world. Illustrative of this was Pavel Lazarenko in Ukraine, Sani Abacha in Nigeria and President Marcos of the Philippines. Therefore, these leaders drained their country of capital leaving little to no money for the development of their citizens or the economy. The result was large numbers of individuals without decent employment and vulnerable to the ploys of human traffickers.

Another important contributing factor to the growth of organized crime has been the proliferation of regional conflicts worldwide since the early 1990s. These conflicts have resulted in diverse and devastating consequences and have contributed to the growth of various forms of organized crime. Leaders of conflicts profit not only from the trade in arms and guns but also of people. Millions of refugees resulting from these conflicts are uprooted from their traditional societies with no viable means of support. Trafficking in men and women results in many people being left ripe for exploitation. Peacekeepers brought into police these conflicts all too often have exacerbated the crime and corruption by becoming ready customers for the brothels run by organized crime often with the complicity of corrupt local officials.

Human trafficking and organized crime should continue to grow throughout the 21<sup>st</sup> century unless more attention is paid to the phenomena and the corruption that facilitates them. The forces that contribute to their growth continue unabated. Populations still continue to grow in the developing world and the resources needed to develop these countries and youthful populations still exit to the financial havens of the first world and offshore havens. Far too many of the world's billions remain "disposable people" in the words of Kevin Bales. Regional conflicts have not diminished. Global warming continues to displace millions from low-lying lands. The trajectory for climate change suggests ever growing human displacement, thereby aggravating human trafficking and the illicit economy in the future.

#### **Organized Crime, Illicit Networks and Human Trafficking**

The drug trade is given disproportionate attention in the organized crime discussion. The trade in drugs may be the most lucrative and the most pervasive form of organized crime but there are many other forms of illicit trade which are multi-dollar businesses. These include the trade in arms, people (human smuggling and trafficking), natural resources (oil, and minerals and timber smuggling), counterfeit goods, endangered species, arts and antiquities and cybercrime. These trades thrive when there is widespread corruption among police, border guards, customs and tax officials who allow this trade to continue unimpeded. They make their money by collecting bribes to allow commodities to pass or share the profits with the crime groups who profit from this illicit trade.

Organized crime benefits from the trade in many different commodities. Yet, increasingly there is a convergence of routes and networks. The same groups may move different illicit commodities along the same routes. For example, drugs, people and arms may traverse the same paths. Or different groups may use the same routes to traffic their commodities. Terrorists and insurgents may also take advantage of the corrupted passageways to move commodities, people, and arms and explosives for their violent acts.

Both large and small-scale corruption contribute significantly to the rise of human trafficking and diverse forms of organized crime. The role of small scale corruption is most apparent and is the lifeline of the trafficker. But it may be less pernicious than the new and globalized large-scale corruption.

### **Money Laundering**

Money laundering is the movement of money obtained from an illicit activity and its placement in the licit economy. This is often carried out with the intention of concealing the source and destination of the money. Money laundering is so harmful because it allows money gained from tax evasion and criminal activity to escape detection and taxation. States are deprived of the resources needed to provide their citizens social programs and to serve the needs of the state. Often those who are least able are forced to pay for state services and debt whereas those who launder their money to offshore locales and safe havens avoid contributing to the social welfare of the state. Money housed offshore and outside the regulatory authority of the state compounds because it evades taxation and criminal proceeds are not confiscated.

Jurisdictions that are conduits for illicit funds are especially vulnerable to the breakdown of the rule of law, the corruption of public officials and destabilization of their economies. The development of new technologies and the possibility of linkages among different illegal activities only exacerbate the challenges faced by the financial, law enforcement, supervisory, legal, and intelligence communities.

Money is laundered into a wide range of businesses and types of investments such as real estate, land, financial markets, bars and nightclubs, and hotels. A large industry of facilitators exists worldwide that allows the laundering of billions in assets. The internet is increasingly used to disguise the origin of this money and to move it rapidly. Most of this money, because of widespread corruption, is never recovered.

Without depriving the criminals or their corrupt facilitators of their profits, crime and corruption continue to pay. Those who commit this crime face little chance of losing their ill gotten gains or being sanctioned for their role in money laundering. Therefore, without more attention to money laundering, the international community has little chance of reducing the frequency of organized crime and corruption.

### **How do we address organized crime and corruption and restore trust in government?**

Transnational crime and corruption will remain defining issues of the 21<sup>st</sup> century. To combat these problems they deserve a much higher priority from policy makers internationally. A much more comprehensive approach is needed if we are to successfully combat these ills. There need to be diverse coalitions to address organized crime and corruption. Financial, reputational and legal penalties must exist for those who engage in such behavior.

Violations of human rights are significant in many developing and transitional societies which disillusion the population and undermine trust between the state and the citizens. International pressure for accountability could help improve trust.

Efforts of corporations, multi-national organizations, researchers and universities, journalists, government, and consumers must be integrated to achieve results. With the rise of non-state actors in the globalized world, it is important that legitimate non-state actors be effectively harnessed to work against illegitimate actors such as criminals and corrupt officials. Much more needs to be done to address the business of organized crime. Only the drug trade commands much attention but other sectors of the illicit economy fail to command such priority. There needs to be more pressure through international organizations such as Transparency International to have governments exercise the political will needed to combat these problems.

The financial component of this effort is essential. More needs to be done to combat the transfer of illicit money. Policies should continue to press tax havens and banking institutions who do not comply with international standards of banking. Enhanced pressure needs to be placed on governments, in the

developed world, that provide loopholes whereby money of criminals and the corrupt can be easily laundered.

Central to this activity are the international coalitions that are now being formed worldwide to combat corruption. Transparency International has taken an important step in addressing organized crime and human trafficking. The World Economic Forum has taken on the issue of organized crime for the first time this year bringing together a coalition of journalists, academics and researchers, business, and multilateral organizations .

Through rapid mobilization of individuals around the world, a constituency can be built for anti-corruption and organized crime activity. Transnational organizations such as Avaaz.org and Global Voices online and its Technology for Transparency network attempt to mobilize young people throughout the world by means of international teams of global organizers. Avaaz functioning in 13 countries, in 14 different languages with a 5.5 million person outreach has fought organized crime and corruption. In Brazil, 730,000 members mobilized on line for anti-corruption legislation that would ban politicians convicted of crimes like corruption and money laundering from serving in the legislature. 340,000 Avaaz members mobilized in Italy to combat an effort to curb investigations of crime and corruption. Successes in these legislative battles have empowered their membership.

Only by empowering citizens and obtaining results in combating organized crime and corruption can citizens have renewed trust in government. Observance of the rule of law and a judicial system that holds the powerful accountable would help restore citizens' faith in the state. Accessible and accountable justice is essential in restoring trust. Also needed is a process that ensures that criminals do not penetrate the political process and do not obtain immunity for their acts as a result of their entry into politics. Civil society around the world must work to press for more investigative journalism. In light of the decline of print media, throughout the world, the internet and the information it provides becomes ever more important in providing an informed public. International coalitions must mobilize across borders bringing together distinct communities. Without such coalitions, there is no possibility of countering the rise of global crime and corruption. The diverse attendees of meetings such as this year's Transparency International are essential in combating organized crime and promoting transparency.

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