

Transnational Organized Crime – The Globalized Illegal Economy



The fictionalized images of organized crime are far from the truth. The reality is less Hollywood and far more about fluid organized criminal networks profiting from the sale of illegal goods wherever there is a demand. These international illegal markets are anonymous and more complex than ever and each year generate billions of dollars.

Transnational organized crime is big business. In 2009 it was estimated to generate \$870 billion – an amount equal to 1.5 per cent of global GDP.¹ That is more than six times the amount of official development assistance for that year, and the equivalent of close to 7 per cent of the world's exports of merchandise.

Hidden cost to society

Transnational organized crime encompasses virtually all serious profit-motivated criminal actions of an international nature where more than one country is involved. There are many activities that can be characterized as transnational organized crime, including drug trafficking, smuggling of migrants, human trafficking, money-laundering, trafficking in firearms, counterfeit goods, wildlife and cultural property, and even some aspects of cybercrime. It threatens peace and human security, leads to human rights being violated and undermines the economic, social, cultural, political and civil development of societies around the world. The vast sums of money involved can compromise legitimate economies and have a direct impact on governance, such as through corruption and the “buying” of elections.

Every year, countless lives are lost as a result of organized crime. Drug-related health problems and violence, firearm deaths and the unscrupulous methods and motives of human traffickers and migrant smugglers are all part of this. Each year millions of victims are affected as a result of the activities of organized crime groups.

Different forms of transnational organized crime

Transnational organized crime is not stagnant, but is an ever-changing industry, adapting to markets and creating new forms of crime. In short, it is an illicit business that transcends cultural, social, linguistic and geographical boundaries and one that knows no borders or rules.

Drug trafficking continues to be the most lucrative form of business for criminals, with an estimated annual value of \$320 billion.² In 2009, UNODC placed the approximate annual worth of the global cocaine and opiate markets alone at \$85 billion and \$68 billion, respectively.³

Human trafficking is a global crime in which men, women and children are used as products for sexual or labour-based exploitation. While figures vary, an estimate from the International Labour Organization (ILO) in 2005 indicated the number of victims of trafficking at any given time to be around 2.4 million, with annual profits of about \$32 billion.⁴ Recent research on overall forced labour trends however would suggest that the scope of the problem is much bigger.⁵ In Europe, the trafficking of mostly women and children for



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sexual exploitation alone brings in \$3 billion annually and involves 140,000 victims at any one time, with an annual flow of 70,000 victims.⁶

Smuggling of migrants is a well-organized business moving people around the globe through criminal networks, groups and routes. Migrants can be offered a “smuggling package” by organized crime groups, and the treatment they get along the route corresponds to the price they pay to their smugglers. In the process of being smuggled, their rights are often breached and they can be robbed, raped, beaten, held for ransom or even left to die in some cases, when the risks get too high for their smugglers. Many smugglers do not care if migrants drown in the sea, die of dehydration in a desert or suffocate in a container. Every year this trade is valued at billions of dollars. In 2009 some \$6.6 billion was generated through the illegal smuggling of 3 million migrants from Latin America to North America,⁷ while the previous year 55,000 migrants were smuggled from Africa into Europe for a sum of \$150 million.⁸

Illicit trading in firearms brings in around \$170 million to \$320 million annually⁹ and puts handguns and assault rifles in the hands of criminals and gangs. It is difficult to count the victims of these illicit weapons, but in some regions (such as the Americas) there is a strong correlation between homicide rates and the percentage of homicides by firearms.¹⁰

Trafficking in natural resources includes the smuggling of raw materials such as diamonds and rare metals (often from conflict zones). The trafficking of timber in South-East Asia generates annual revenues of \$3.5 billion.¹¹ In addition to funding criminal groups, this strand of criminal activity ultimately contributes to deforestation, climate change and rural poverty.

The illegal trade in wildlife is another lucrative business for organized criminal groups, with poachers targeting skins and body parts for export to foreign markets. Trafficking in elephant ivory, rhino horn and tiger parts from Africa and South-East Asia to Asia produces \$75 million in criminal profits each year and threatens the existence of some species.¹² Organized crime groups also deal in live and rare plants and animals threatening their very existence to meet demand from collectors or unwitting consumers. According to the WWF, traffickers illegally move over 100 million tons of fish, 1.5 million live birds and 440,000 tons of medicinal plants per year.¹³

The sale of fraudulent medicines is a worrying business, as it represents a potentially deadly trade for consumers. Piggybacking on the rising legitimate trade in pharmaceuticals from Asia

to other developing regions, criminals traffic fraudulent medicines from Asia, in particular to South-East Asia and Africa to the value of \$1.6 billion.¹⁴ Instead of curing people, however, they can result in death or cause resistance to drugs used to treat deadly infectious diseases like malaria and tuberculosis. In addition to traditional trafficking methods, criminals continue to build a lucrative online trade in fraudulent medicines targeting developed and developing countries alike, which can also lead to health implications for consumers.

Cybercrime encompasses several areas, but one of the most profitable for criminals is identity theft, which generates around \$1 billion each year.¹⁵ Criminals are increasingly exploiting the Internet to steal private data, access bank accounts and fraudulently attain payment card details.

Global threats, local effects

While transnational organized crime is a global threat, its effects are felt locally. When organized crime takes root it can destabilize countries and entire regions, thereby undermining development assistance in those areas. Organized crime groups can also work with local criminals, leading to an increase in corruption, extortion, racketeering and violence, as well as a range of other more sophisticated crimes at the local level. Violent gangs can also turn inner cities into dangerous areas and put citizens' lives at risk.

Organized crime affects people in the developing and the developed worlds. Money is laundered through banking systems. People become victims of identity theft, with 1.5 million people each year being caught out.¹⁶ In many developed countries, criminal groups traffic women for sexual exploitation and children for purposes of forced begging, burglary and pickpocketing. Car theft is also an organized business, with vehicles stolen to order and taken abroad. Fraudulent medicines and food products enter the licit market and not only defraud the public but can put their lives and health at risk. Added to this is the trade in counterfeit products, which deprives countries of tax revenues. This can also have an impact on legitimate companies when illegally produced goods displace sales of original products, which in turn hurts employer revenues.

Organized crime adds to an increase in public spending for security and policing and undermines the very human rights standards that many countries strive to preserve, particularly when activities such as human trafficking in human beings, kidnapping and extortion are taken into consideration. It can also fuel local crime, which in turn drives up costs such as insurance premiums and adds to the general level of criminality and insecurity in society.



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Too hot to handle. How is money laundered?

The profits of most crimes are generated as cash, which is risky for criminals. Difficult to hide, cash increases the probability of exposure, theft by rival criminals and seizure by the police. When cash enters the legitimate economy, it is particularly vulnerable to identification and law enforcement intervention. As a result, criminals move to prevent cash from attracting suspicion. For example, they may move it abroad, or they might use it to buy other assets or try to introduce it into the legitimate economy through businesses that have a high cash turnover. As an integral part of transnational organized crime, it is estimated that some 70 per cent of illicit profits are likely to have been laundered through the financial system. Yet less than 1 per cent of those laundered proceeds are intercepted and confiscated.¹⁷

Putting them out of business. What can we do about organized crime?

Combating a global phenomenon such as transnational organized crime requires partnerships at all levels. Governments, businesses, civil society, international organizations and people in all corners of the world have a part to play. Some aspects that are critical in fighting organized crime include:

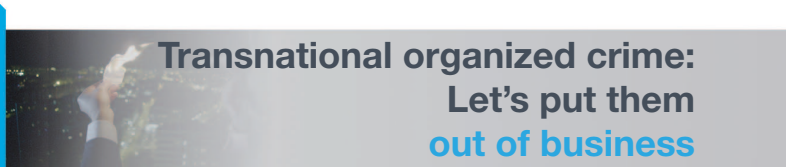
- **Coordination:** integrated action at the international level is crucial in identifying, investigating and prosecuting the people and groups behind these crimes.
- **Education and awareness-raising:** ordinary citizens should learn more about organized crime and how it affects

everyday lives. Express your concerns to policy and decision makers so that this truly global threat is considered by politicians to be a top priority among the public’s major concerns. Consumers also have a key role to play: know what you are purchasing, do so ethically and make sure that you do not fuel organized crime.

- **Intelligence and technology:** criminal justice systems and conventional law enforcement methods are often no match for powerful criminal networks. Better intelligence methods need to be developed through the training of more specialized law enforcement units, which should be equipped with state-of-the-art technology.
- **Assistance:** developing countries need assistance in building their capacity to counter these threats. An important tool that can help with this is the United Nations Convention against Transnational Organized Crime, which has been ratified by 170 parties¹⁸ and provides a universal legal framework to help identify, deter and dismantle organized criminal groups. In October 2012 the sixth session of the Conference of the Parties to the United Nations Convention against Transnational Organized Crime will be held in Vienna. That biennial series of meetings brings together Governments from across the world to promote and review the execution of the Convention in order to ensure better implementation in tackling this international issue. At a practical level, UNODC helps strengthen the capacity of States to track and prevent money-laundering with training and technical assistance for following the money trail. These measures can help cut off the profits of crime.

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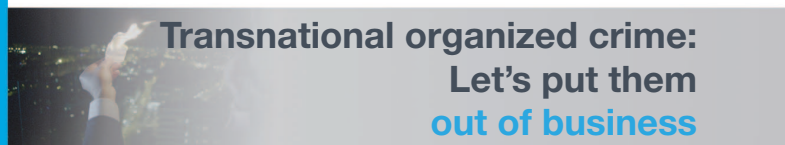
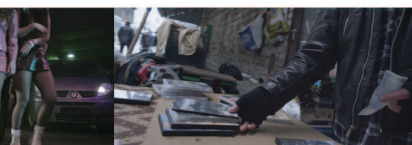
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- ¹ United Nations Office on Drugs and Crime, *Estimating Illicit Financial Flows Resulting from Drug Trafficking and Other Transnational Organized Crimes: Research Report* (Vienna, October 2011). Available from www.unodc.org/documents/data-and-analysis/Studies/Illicit_financial_flows_2011_web.pdf.
- ² Based on 2005 figures (*World Drug Report 2011* (United Nations publication, Sales No. E.11.XI.10)). Available from www.unodc.org/wdr.
- ³ *World Drug Report 2011*.
- ⁴ Based on 2005 estimates from the International Labour Organization (ILO). More recent and precise estimates by ILO on overall forced labour trends however would lead us to think that the scope of the problem is much bigger. (International Labour Office, *A Global Alliance against Forced Labour: Global Report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work* (Geneva, ILO, 2005)). Available from www.ilo.org/wcmsp5/groups/public/@ed_norm/@declaration/documents/publication/wcms_081882.pdf.
- ⁵ International Labour Organization, *Global Estimate of Forced Labour 2012: Results and Methodology* (Geneva, ILO, 2012). Available from http://www.ilo.org/sapfl/Informationresources/ILOPublications/WCMS_182004/lang--en/index.htm
- ⁶ United Nations Office on Drugs and Crime, “*Trafficking in persons to Europe for sexual exploitation*”, June 2010. Available from www.unodc.org/documents/publications/TiP_Europe_EN_LORES.pdf.
- ⁷ *The Globalization of Crime: A Transnational Organized Crime Threat Assessment* (United Nations publication, Sales No. E.10.IV.6.2010). Available from www.unodc.org/documents/data-and-analysis/tocta/TOCTA_Report_2010_low_res.pdf.
- ⁸ *Ibid.*
- ⁹ UNODC.
- ¹⁰ United Nations Office on Drugs and Crime, *2011 Global Study on Homicide: Trends, Contexts, Data* (2011). Available from www.unodc.org/documents/data-and-analysis/statistics/Homicide/Globa_study_on_homicide_2011_web.pdf.
- ¹¹ *The Globalization of Crime: A Transnational Organized Crime Threat Assessment*.
- ¹² *Ibid.*
- ¹³ See http://www.panda.org/about_our_earth/species/problems/illegal_trade/
- ¹⁴ *Globalization of Crime: A Transnational Organized Crime Threat Assessment*.
- ¹⁵ *Ibid.*
- ¹⁶ *Ibid.*
- ¹⁷ United Nations Office on Drugs and Crime, *Estimating Illicit Financial Flows Resulting from Drug Trafficking*.
- ¹⁸ See http://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XVIII-12&chapter=18&lang=en.



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