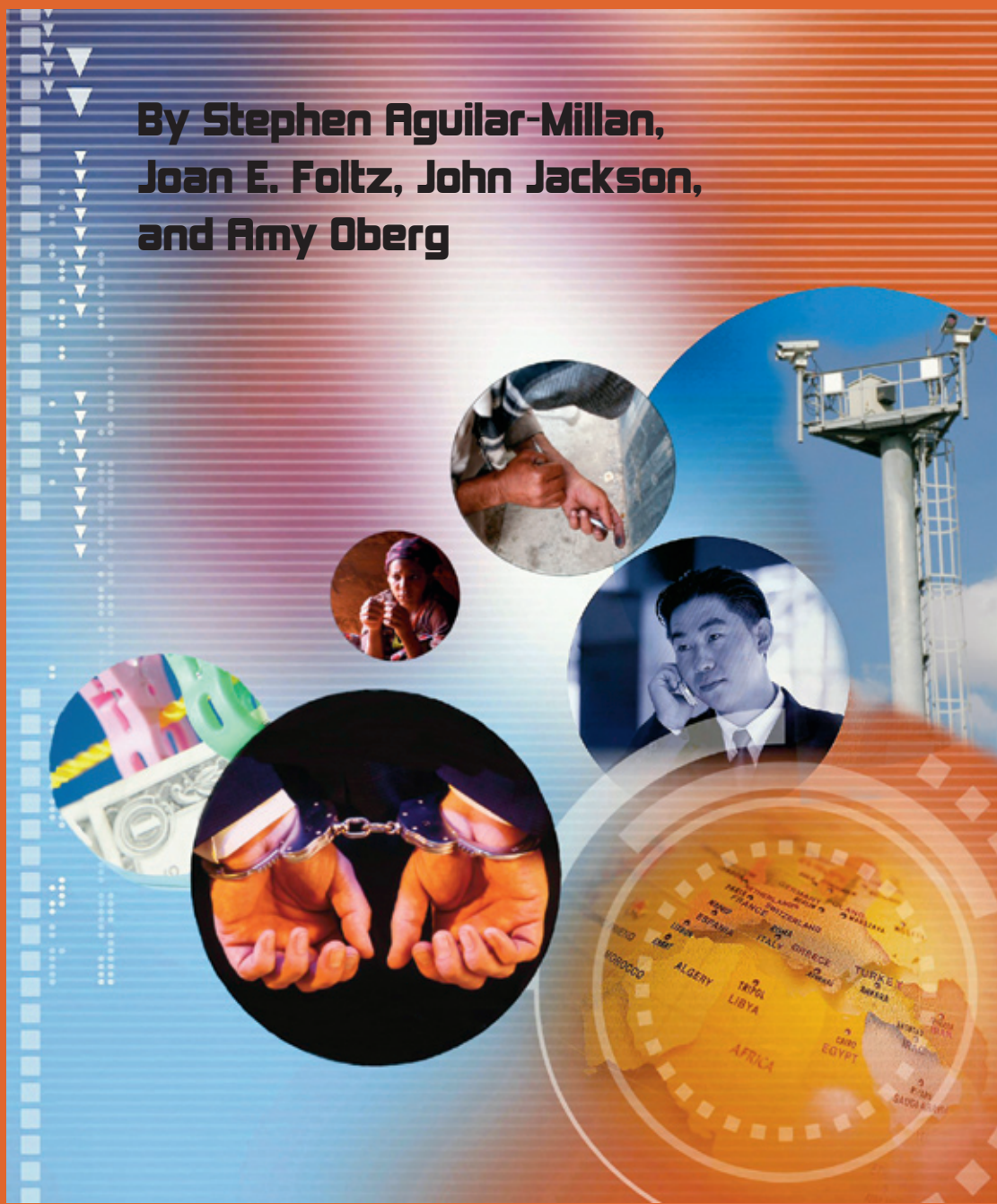
The Globalization of Crime

By Stephen Aguilar-Millan, Joan E. Foltz, John Jackson, and Amy Oberg

A team of futurists examines the ways in which crime has become globalized and how the worlds of legitimate and illicit finance intertwine.



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The nature of crime has changed significantly in a single generation. Just 20 years ago, crime was organized in a hierarchy of operations. It was "industrial" in that it contained the division of labor and the specialization of operations. This structure extended internationally, as organized crime mirrored the business world.

Then, just as it happened in the business world, the vertical and horizontal hierarchies of organized crime dissolved into a large number of loosely connected networks. Each node within a network would be involved in any number of licit and illicit operations. Networked systems spanned the globe. An event in one place might have a significant impact on the other side of the world. In short, crime became globalized.

Organized crime involves the illicit flow of goods and services in one direction and the flow of the proceeds of crime in the other. Just as the business world has benefited from globalization, so has organized crime.

Crime as a Globalized Activity: An Overview

In many ways, it is helpful to consider crime as a special form of business activity, affected by the same trends as other business activities.

Globalization—including the globalization of crime—can be said to have started with the fall of the Berlin Wall, the collapse of the Soviet Union, and the attempts by Western thinkers to offer economic prescriptions and organize international affairs along the lines of Western capitalism.

In practice, Western capitalism consisted of a belief in free markets for the allocation of resources, free flows of goods and services across international borders, and the free movement of labor and capital to harness the demand created by the free market. For globalization to take hold, two further revolutions were needed—the growth of low-cost mass-transit facilities and the growth of international telecommunications (i.e., the Internet).

The transportation revolution facilitated the mass movement of goods and people across the globe, and the Internet revolution has allowed the development of global service infrastructures, such as banking and financial services. It's also enabled global operations to be monitored and controlled remotely from anywhere in the world that has Internet access.

As these revolutions—the freeing of markets, the transportation revolution, and the Internet revolution—were taking place, the way in which the world works was also changing. In global business especially, the world shifted from being one of hierarchies to being one of networks. The rise of the networked organization laid the foundation for two features of modern life—outsourcing (where key roles are undertaken outside of the formal organizational structure) and offshoring (where, thanks to the transportation and Internet revolutions, key roles can be undertaken anywhere in the world). Needless to say, such encouragements of lawful trade proved to be a boon for illicit trade as well.

From a commercial perspective, the key to the flow of illicit goods—be they narcotics, people, counterfeit goods, or human transplant organs—

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Global Crime Case: Drugs and the U.S.-Mexico Border

The border between the United States and Mexico is 1,954 miles long and the most heavily transited international border in the world. Mexico is the United States' second-largest trading partner and a party to the North American Free Trade Agreement. Yet, mixed among the legal trade and visitations are smuggled goods and the infiltration of illegal migrants.

Criminal enterprises are in business to make money. Most often, they do so through the smuggling of contraband. Along the U.S.–Mexico border, the contraband consists primarily of drugs and people. The criminal organizations present today are the products of a multi-decade evolutionary path that began with the Medellín and Cali cartels of Colombia.

In a continuing engagement of action and reaction, governments have pursued strategies that have shaped the contemporary organizations. During the Miami Vice days, drug contraband was shipped from Colombia to the United States through the Caribbean islands. As a result of successful enforcement actions by the United States, the drug cartels moved their transshipment avenues west. Successful aerial interdiction by the U.S. Customs Service made direct smuggling flights into the United States untenable. Consequently, Colombian traffickers began to contract with emerging organizations in northern Mexico.

Initially, these organizations specialized in border transshipment, taking custody of the client's narcotics in Mexico and delivering them to the client's agents in the United States. In the process, the locus of power shifted from the Colombian cartels to the Mexican cartels. The Mexican cartels also developed sophisticated money-laundering operations to realize their profits.

The demise of the Colombian cartels precipitated a transition in the shape of organizations to less vertically integrated models; the new system offered a network of criminal organizations with various specialties.

Today, there are five Mexican cartels: Gulf, Sinaloa, Juarez, Tijuana, and Valencia. Three of the five—Sinaloa, Juarez, and Valencia—cooperate in an alliance called the Federation. The Gulf and Tijuana cartels have also partnered against the Juarez cartel. In the midst, affiliated

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U.S. (left) and Mexico at the border.

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Mexican citizen stopped at border by U.S. border patrol.

coyote organizations have arisen to smuggle human beings into the United States. They provide services to an international clientele.

What can we expect in the future? Much depends on how powerful the cartels grow, whether the Mexican government can eradicate corruption and reestablish control over the largely lawless regions dominated by the cartels, and the development of U.S. policy along the border. Policy regimes that simply maintain enough pressure to force the cartels to evolve will likely result in more efficient and sophisticated criminal enterprises. Policy regimes that eliminate or substantially constrain the cartels may force human and narcotic trafficking across other borders. So long as demand for illegal drugs and illegal labor remain high, traffickers will adjust and find new ways to move contraband. And these flows are occurring on a global scale.

—Stephen Aguilar-Millan, Joan E. Foltz, John Jackson, and Amy Oberg

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is logistics: How do you move the goods from the point of origin to the point of consumption? The revolution in transportation lowered the cost of freight and increased the number of routes available. The need to secure these routes for illicit flows of goods has also led to the growth in the arms trade—especially of personal weapons of a relatively small caliber.

From the perspective of the law enforcement agencies, the problem with policing such activities is jurisdiction, which has led to the increase in cross-border police cooperation. The key to success in halting the flow of illicit goods is to have good intelligence, so law enforcement agencies (usually the police and customs agencies) are cooperating more closely with the military services (particularly military intelligence and the naval arm). In effect, law enforcement agencies have globalized in order to respond to the globalization of criminal gangs.

Meanwhile, some illicit activities have moved from the corporeal world to cyberspace. For example, the development of the Internet has allowed much pornographic activity to migrate to the virtual world. Initially, this was restricted to the transmission of images, but the development has taken on new forms with the rise of online worlds such as Second Life.

Online, the confusion of legal jurisdictions creates new problems. For example, in the case of online gambling, firms in the United Kingdom were engaged in the provision of gambling activities that were legal under European Union law but illegal in the United States. Alternatively, Second Life is alleged to host pedophile rings whose activities are contrary to EU law but take protection from the First Amendment in the United States. There has been some harmonization in legal codes, but this process is far from complete. What is needed is the globalization of legal codes to complete the process.

The flow of illicit goods in both the corporeal and the virtual worlds is aided by illicit services, particularly banking and financial services. The development of the Internet has greatly assisted global criminal networks in laundering their money. Preventing money laundering is likely to become even harder as new forms of money and financial instruments emerge. Just imagine a Rotterdam cocaine futures market!

The nature of banking is also changing. As we see with the development of payments through cellphone transfers, it will become harder for the monetary authorities to police the monetary system.

We can reasonably expect the flow of illicit goods to increase if the globalization trend continues. Some of the flows will be diverted from the corporeal world to the virtual world. New crimes will develop within the virtual world as people exercise their inventiveness, and more illicit services will be invented to channel the proceeds of crime into lawful investment assets.

In the years ahead, national law enforcement agencies are likely to cooperate more, and there may also be greater involvement of military assets for law enforcement purposes. However, this is unlikely to be entirely successful without the political willingness to harmonize legal codes and to deploy international resources to where they have the greatest impact. This point is best demonstrated in the area of white-collar crime.

The High Stakes of White-Collar Crime

The profile of white-collar criminals is changing as the possibility of enormous payouts increases the high stakes of the game. The $1-trillion illicit trade market is being fueled not just by organized groups, but also by individuals who are lured by the opportunities rising from the globally integrated financial systems. The rapid advancement of wireless technology enables financial transactions in every region in the world, so opportunities for white-collar crimes are proliferating as fast as the criminal landscape is changing.

Organized crime has long been involved in money laundering, fraud, and currency counterfeiting for self-benefit. More recently, governmental agencies are concerned about how the magnitude of those activities and other white-collar crimes could threaten national security and global financial markets. White-collar crime also includes intellectual property crime, payment card fraud, computer virus attacks, and cyberterrorism.

Corporate fraud has become a priority of the FBI, which has pursued cases involving more than $1 billion in losses to individuals, as well as securities and commodities fraud that amounts to approximately $40 billion worth of corporate losses per year.

The sophistication of the schemes is growing and the frequency of events is accelerating as improving technology eases the transfer of money across international borders and gives criminals access to more identities that may be stolen. With a growing amount of corporate and financial records, there is more potential opportunity for manipulation—and that threat has expanded to global proportions.

The spread of capitalism promotes open markets and aims to maximize opportunity but blurs the line between what is considered creative money management and what is considered criminal behavior. The increasing opportunities for white-collar crimes and their potential payoff is extremely enticing to individuals who do not fit the typical criminal profile.

Social attitudes toward money and finances are also changing worldwide, and as yet there is no accepted global definition of white-collar crime. Some cultures don't consider certain activities involving corruption, corporate malfeasance, and stock manipulation even to be criminal. White-collar crime is not always a clear-cut act of deviance and is often intermingled with legitimate behavior that is spread out over a number of incidents. Meeting the goals of capitalism requires tough competition, which promotes attitudes and behaviors that may blur ethical lines. What behaviors should be rewarded? What should be penalized?

Electronic funds transfer systems handle more than $6 trillion in wire

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Born into slavery in Niger, a 15-year-old girl has repeatedly been mistreated, and often raped, by her master.

Global Crime Case: The Modern Slave Trade

Human slavery is alive and prospering hundreds of years after wars were fought to abolish it. It is a growing part of the larger global problem of human trafficking.

Human trafficking involves the involuntary movement of people across and within borders and typically involves coercion, deception, and violence. Behind drugs and guns, human trafficking is the third largest illicit global trade and reportedly the fastest growing. While exact numbers associated with human trafficking are hard to generate, the United Nations estimates that global trafficking involves at least 4 million people each year and generates estimated annual revenues of $7 billion–$10 billion. By some accounts, however, the UN estimate is quite low. China reportedly generates $1 billion–$3 billion annually via human trafficking activities, and Mexico, $6 billion–$9 billion.

Many trafficked victims fall into some form of human slavery—serving as sex, farm, factory, or domestic slaves. In many cases, the victims are young children who have been sold into slavery by family members desperately in need of money. Globally, it is estimated that some 27 million people are being held as slaves in an industry that may generate as much as $32 billion a year, according to International Labour Organization estimates.

Sex slavery, trafficking, and trade can be found all around the world: in China, Cambodia, Thailand, Russia and other former Soviet states, the Philippines, Colombia, Japan, Italy, the European Union, and the United States, to name just a few. Southeast Asia is one of the world's largest exporters of sex slaves and a sex hot spot. Thanks to devastating and widespread poverty, there is an abundant supply of recruits available to meet the demands of wealthy customers in Japan, China, Australia, Europe, and the United States. In 2006, Cambodia was one of the busiest spots in the world for human trafficking, with a majority of victims from Cambodia being delivered into the sex trade in Southeast Asia. An estimated 30,000 of those Cambodians exploited in the sex trade were children.

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Metal anklets worn by one of 43,000 slaves living in Niger.

Employing their financial resources to bribe officials, international networks to arrange swift transport, and new technologies to generate false documents, traffickers can complete the process of abduction in one hot spot to delivery in another within a 48-hour to two-week time frame. Globalization has made human trafficking easier. Deregulation, open borders, entwined economies, and the ease of international banking have all facilitated the ability to market and traffic human beings. The complexity of networks, e-cash, and cross-border enforcement issues have also significantly decreased the risks associated with this illicit trade.

Governments had been trying to curb human trafficking, but much of the policing focus and funding has shifted from trafficking and other such crimes to terrorism, so action has become limited. Human trafficking is also an international issue, complicated by politics, morality, and gender biases that collectively have also limited government activities.

Nongovernmental organizations (NGOs) are not so burdened. They can more easily work across borders and across organizations than can official government agencies. While they have been making progress against human trafficking and slavery, they, too, have been limited. NGOs suffer from lack of funding, and efforts to raise funds have been difficult. The phenomenon of human trafficking and slavery is evidently so abhorrent that it is hard to find those who will acknowledge its existence and fund efforts against it.

—Stephen Aguilar-Millan, Joan E. Foltz, John Jackson, and Amy Oberg

Global Crime Case: Cybercrime and Counterfeiting

Much of the modern organized crimes are very similar to the old. The most significant transformation from the streets to cyberspace has enlarged the territory of individuals and organized groups. Enabled by the Internet, criminals can operate in cyberspace where less governance, a transnational stage, and a multitude of transactions to monitor complicate surveillance and enforcement.

From counterfeiting drugs and software to identity theft and credit-card fraud, illegal transactions are increasingly infiltrating legitimate businesses where counterfeited goods and money laundering are buried in the billions of legitimate computer transactions made daily around the globe.

Counterfeited products are rising through global distribution via Internet sites. According to the World Health Organization, 50% of the medicines sold online are counterfeit.

The expanse of international criminal activity has been followed with an increase in prosecution through cooperating international law enforcement agencies willing to join the fight against globalized crime.

GERALD NINO / U.S. CUSTOMS AND BORDER PROTECTION, OFFICE OF INTERNATIONAL TRADE

Counterfeit luxury handbag, pharmaceuticals, and condoms seized by U.S. Customs agents.

The following sampling of the U.S. Department of Justice prosecutions in 2007 and 2008 shows that crimes that were once national or regional now commonly cross borders and have a transnational impact on businesses and victims.

- Members of an international organized crime group operating a "phishing" scheme in the United States, Canada, Pakistan, Portugal, and Romania obtained private information for credit-card fraud. Among the financial institutions affected were Citibank, Capital One, JPMorgan Chase, Comerica Bank, Wells Fargo, eBay, and PayPal.
- Hackers were arrested for infiltrating cash register terminals at Dave & Buster's restaurants in the United States to acquire credit-card information, which was resold to others for criminal purposes. The hackers were prosecuted with the cooperation of the Turkish and German governments.
- A Nigerian installed a spyware program on a NASA employee's computer to capture personal data, such as bank account numbers, Social Security number, driver's license information, home address, and passwords to various computer accounts, as well as to intercept private electronic communications.
- A Colombian computer fraud scheme captured data to access bank and brokerage accounts on more than 600 people in the United States through computers located in hotel business centers and Internet lounges around the world. Actual loss from the scheme was estimated at $1.4 million.
- An international enforcement initiative undertaken by the United States and Canada has resulted in more than 400 seizures of counterfeit Cisco network hardware and labels with an estimated retail value of more than $76 million.
- A Boeing engineer stole trade secrets related to aerospace programs, including the Space Shuttle, the C-17 military transport aircraft, and the Delta IV rocket, to sell to the People's Republic of China.
- A New Hampshire Company, Vee Excel Drugs & Pharmaceuticals Inc., was charged with trafficking counterfeit drugs and introducing misbranded drugs into the United States. The company conspired with an Indian corporation to ship counterfeit Cialis tablets into the United States in packages fraudulently identified as containing chlorine tablets.
- A global criminal ring smuggled counterfeit luxury goods into the United States from the People's Republic of China. Valued at more than $100 million, the counterfeit handbags, wallets, purses, and carry-on bags were labeled with such name brands as Nike, Burberry, Chanel, Polo Ralph Lauren, and Baby Phat. The defendants paid more than $500,000 in bribes to an undercover agent.
- Operation Phony Pharm investigated the illegal sale of anabolic steroids, human growth hormone, and other controlled substances over the Internet. Raw materials imported from China and manufactured in U.S., Canadian, and Mexican underground laboratories were distributed through a MySpace profile and a Web site. Collaboration with Operation Raw Deal has resulted in the seizure of 56 steroid labs across the United States. The U.S. operation took place in conjunction with enforcement operations in Mexico, Canada, China, Belgium, Australia, Germany, Denmark, Sweden, and Thailand.

—Joan E. Foltz

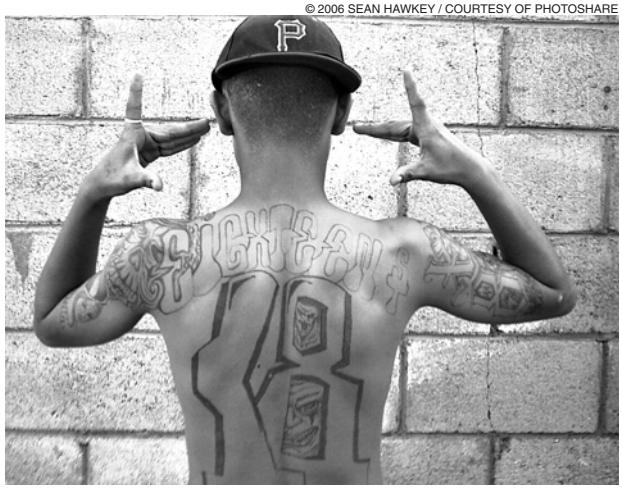
Source: U.S. Department of Justice, www.usdoj.gov.

Global Crime Case: Gangs Go Global

Criminal gangs are thriving in cities around the world, and they aren't going away anytime soon, criminal justice professor John M. Hagedorn asserts in his new book, *A World of Gangs.*

"Large areas within megacities have admittedly become unmanageable, and armed groups are stepping in to manage the unmanageable spaces," he explains. The equation, as he sees it, is quite simple: urbanization + poverty = gangs.

Already, the majority of the global population lives in densely packed urban areas, and by the year 2020, half of the world's urban population will live in poverty, according to UN estimates. Hagedorn places much of the blame squarely on globalization, claiming that the new global economy "has resulted in economic and social polarization in much of the world." He cites the gentrification of inner-city areas and the resulting displacement of the urban poor as one specific example. Whenever circumstances for basic survival become dire, gangs begin to multiply.



An 18th Street Gang member in San Salvador, El Salvador.

For the marginalized youth living in ghettos and favelas who view their options as increasingly limited, gang membership provides a strong sense of belonging and empowerment. Like youth groups and religious organizations, gangs offer structure and solutions for young members of their communities, and the fact that street gangs often function as illicit money-making enterprises adds greatly to their appeal. "The gang is one business that is almost always hiring and may be the only chance many youth have to get a job," Hagedorn writes.

Contemporary gangs tend to be organized like corporations, and many have franchises in different locations. In addition to the emergence of new gangs, established gangs are institutionalizing themselves in cities around the world.

Once gangs become institutionalized, they are almost completely invulnerable to police repression. Institutionalized gang leaders are able to maintain control, keep on top of new developments, and recruit new members even from behind bars. "Rather than prison being a place to send gang members in an attempt to break up the gang, gangs have adapted and have used prison to advance their interests," Hagedorn writes. Gangs have institutionalized themselves in cities from Chicago to Rio de Janeiro, and from Cape Town to Mumbai.

How to Deal with Gangs

The most common public-policy response to gangs is zero tolerance, Hagedorn notes. The average street gang will have a hard time surviving in a gentrified area with a strong police presence. However, this method has not been entirely effective, as the institutionalized gangs simply adapt to increases in police presence and surveillance.

Critics of zero-tolerance policies argue that they penalize entire communities and strengthen young people's attachments to the idealized image of "gangsta" as resistance identity. Such strong-arm approaches, they say, achieve only temporary gains and are destined to backfire in the long run. Hagedorn argues that it is impossible to permanently eliminate gangs or reduce youth violence by using force, so other, more positive and more permanent solutions are necessary.

Hagedorn advocates "bringing gangs and those on society's margins into broader social movements, while demanding they take steps to shed their violent, antisocial habits. This is a difficult task and, for most gangs, may prove impossible." However, he contends that gang members, like the rest of us, have the potential to change for the better. At any rate, he argues, societies have little choice but to try. "We either bring gangs and the underclass into the polity or run the risk of living in a permanent fortress society."

Hagedorn recommends that governments adopt an approach similar to the UN's disarmament, demobilization, and reintegration programs for rehabilitating child soldiers. Such a long-term process would most likely provide education and job skills training, encourage prosocial behavior, and teach former gang members how to reintegrate into the larger community.

Policy makers could also focus on providing better job opportunities and improving education in lower-income communities overall. Prevention is always the best cure. Social programs that provide job training, after-school activities, and recreational leagues have met with success over the years. Gang researchers have seen that increased opportunity as well as a strong support system of family and friends can persuade gang members to leave their thug lives behind. *—Aaron M. Cohen*

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transfers daily, and the growing speed and interconnectivity of those transactions adds to the difficulty of tracing money transfers, particularly across borders into regions where regulations are not enforced. To combat the problem, more countries will participate in international organizations to regulate and control fraudulent financial activity, perhaps spurred by the proliferation of money laundering of funds for terrorist activities. International agencies such as Interpol also work closely with technology providers to develop security controls for tracking and preventing financial and high-tech crimes. But even the most advanced security systems and coordinated enforcement cannot prevent targeted attacks on international financial systems.

Daily international transfers of $2 trillion via computer communications pass through conventional banks, Internet banking, mobile banking, and e-commerce transactions. Many transactions cross borders going not through financial institutions, but rather through professional services, such as real estate agents and accountants facilitating transactions that exchange cash for purchases to mask ownership of originating funds. Offshore corporations and relatives also offer assistance transferring funds via mobile phones and Internet payment services such as PayPal.

The same technologies that make criminal activities possible — rapid financial transactions via mobile devices or the Internet, for instance — also make transborder e-commerce more transparent and secure. Authorities can more easily track investment transactions. However, rogue traders and terrorist groups may continue to manipulate currencies and stocks and threaten to infiltrate financial systems, so countries, companies, and individuals must increasingly weigh the opportunities for fast and easy money versus regulation and security.

As competition and opportunities are sought by more players in a

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Global Crime Case: Heroin

The case of heroin ably demonstrates the way in which the networked world of crime crosses international borders, involves a multiplicity of illegality, and presents an ominous picture of a dark future ahead.

Heroin is a derivative from the opium poppy, which is distilled into a potent and highly addictive narcotic. Research published in *The Lancet* (the Journal of the British Medical Association) suggests that heroin is the illegal narcotic that has the highest levels of dependency and physical harm. As a result of this, the drug appears on Schedule I on the Single Convention of Narcotic Drugs.

The principal areas of production for heroin are the "Golden Crescent" (Afghanistan, Pakistan), the "Golden Triangle" (Laos, Vietnam, Myanmar, and Thailand), and Latin America (principally Mexico and Colombia). Global production is currently weighted toward the Golden Crescent, which accounts for an estimated 92% of world production.

Global consumption, however, is skewed toward the developed world. It is difficult to assess the size of the market for heroin in Europe and North America with any great accuracy because, by definition, its illegality makes it unquantifiable. However, the CIA reports that 56% of global seizures occur in Europe and Africa, while only 10% occur in the United States. It is widely held that cocaine is the narcotic of choice in the United States, while Europe displays a preference for heroin.

Heroin tends to be processed locally from the opium poppies at the point of cultivation. It then needs to be transported to the point of consumption, generally using the transport infrastructure of globalization as a means of distribution. The CIA reports that 71% of global seizures take place along land routes. The key land route is the "Balkan Route" that links the Golden Crescent with Europe. This route has two branches — the northern branch that runs north of the Black Sea via Russia, Ukraine, and eastern Europe, and the southern branch that runs south of the Black Sea via Turkey, Bulgaria, Serbia, and Croatia. Along these routes, the transport of heroin acquires another dimension.

In transit, the heroin becomes one of a number of illicit contraband goods being transported from one part of the world to another. Each shipment of heroin may be accompanied by undocumented immigrants, illegal weapons, counterfeit products, and other illicit items. Usually, the illicit goods will accompany licit trade, making their detection difficult for law enforcement agencies.

In this environment, the key profit zone in globalized crime has become in the transit of goods rather than their production or sale to the end user, and the money made there must then be laundered into legitimacy.

The global transmission of funds has grown enormously in recent years. We now live in a world characterized by the absence of exchange controls and where the boundaries of financial institutions do not mirror national boundaries. It is so much easier today for the proceeds of crime to hide in the undergrowth of legitimate financial transactions.

For the heroin trade, this means that the proceeds are repatriated to sources in Afghanistan. There is no doubt that heroin is a key source of revenue to the Taliban, who use this income to purchase weaponry illicitly on the world market. The demise of the Soviet Union brought onto the world market an unprecedented level of weaponry, which has been absorbed into the criminal networks. In turn, the Taliban needs this weaponry to maintain its dominance over the Afghan heroin trade.

This has led to a self-reinforcing trade system that the agencies of law

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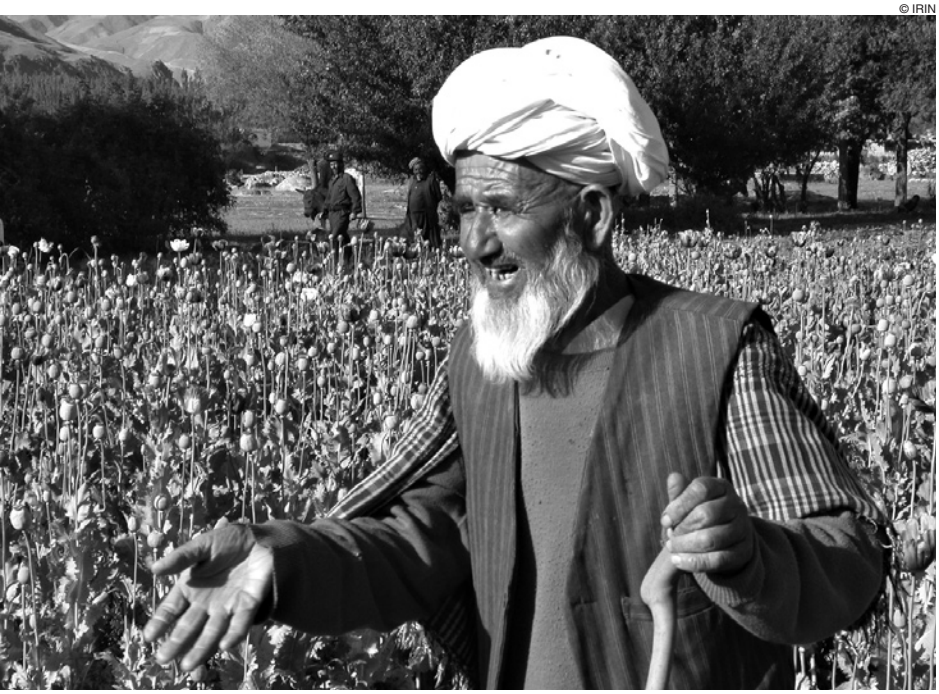

Poppy farmer, Afghanistan.

enforcement have found difficult to halt. Efforts have been made to stem the flow of heroin from Afghanistan, to interdict the heroin in transit, and to reduce the outlet points in Europe and North America. There has been some success in each of these areas, but there is also no general shortage of heroin on the streets of Europe and North America.

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Heroin addict, Afghanistan.

Despite these trends, we can see hope for progress in three areas.

1. The rising price of oil is raising transport freight costs across the globe. In the longer term, this will lead to fewer goods in transit, making it easier to interdict those illicit goods that are in transit. The balance may tip away from criminal networks and toward law enforcement agencies.

2. The rise of neo-nationalism in the face of resource shortages is likely to make the interdiction of trade goods at the point of entry more acceptable politically. In the face of a perceived threat from external criminal gangs, the delay of goods in port for customs inspection will be much easier, helping the interdiction of heroin in transit.

3. The rising price of wheat globally is undermining the relative financial advantage of opium poppies over wheat as a cash crop in southern Afghanistan. If NATO can protect Afghan farmers so that they can cultivate wheat free from the intervention of the Taliban, then the financial base of the Taliban will be seriously undermined and the global supply of heroin will be significantly reduced.

These three factors provide a ray of hope in the case of heroin addiction in the West, as well as a ray of hope in the war on terror generally and against the Taliban in particular. None of it is due to the actions of the Western governments, but rather represents a self-regulation mechanism in the process of globalization. We could almost say that globalization caused this problem, and globalization may solve it.

—Stephen Aguilar-Millan

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larger global market, more creative financial instruments and structured deals set up an environment where payoffs and lack of controls allow fraud and corruption. Without guidelines and a definitive identification of what constitutes punishable criminal activity, new business models will be created that stretch the systems and threaten economic stability, such as the subprime lending debacle.

Super-capitalism will drive a push for new financial instruments and schemes in other areas of corporate fraud, such as "pumping and dumping" stocks to set deceptive market prices or using Ponzi schemes. Such activities jeopardize not only personal portfolios, but also the stability of the global investment community. In 2006, the FBI investigated 1,165 cases of securities and commodities fraud that amounted to $1.9 billion in restitutions and $62.7 million in seizures.

The growth of unethical business practices that impact free markets will compel international regulatory bodies to define white-collar crime and to establish globally supported tracking systems and venues for prosecution. The challenge is to regulate criminal activities operating in a virtual space of global industries that are becoming more disconnected from national jurisdictions. This will require not only international cooperation, but also the sharing of information among law enforcement agencies and the ability to seize assets.

Efforts to deter money laundering and terrorist activities are gaining international cooperation, but going after corporate and securities fraud is another matter. Cooperation in battling these white-collar threats to global financial systems is unlikely until a significant disruption impacts all members of the global free market and until all governments understand that weak systems and corruption impair regional economic development.

Cooperation against Global Crime

One of the flaws in market-based

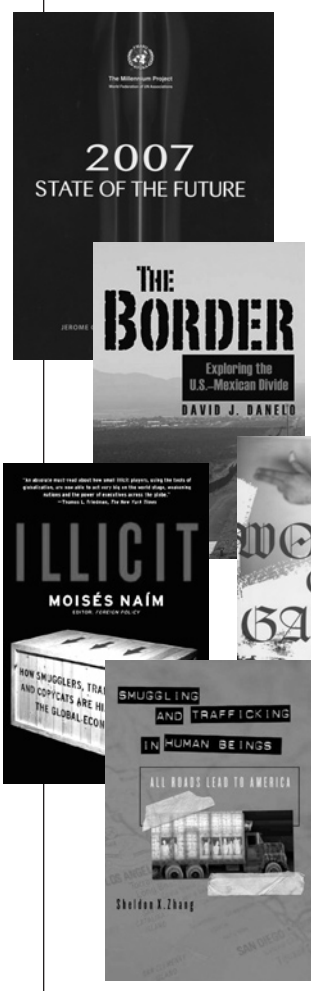
capitalism is that it is open to corrupt influences and encourages undesirable behavior by providing a profit for meeting a demand. As long as there is a demand for narcotics, human servitude, and other illicit goods and services, there will be a market in human misery.

A glimmer of hope may be found in the fact that many of these global criminals desire respectability. They are victims of the system that they exploit, and they are exploited by those operating in the financial world, for whom they provide commissions, fees, and retainers. The point at which dirty money is laundered clean is the point at which those who operate in the world of organized crime wish to enter the mainstream world. This is the Achilles' heel of global organized crime.

Given the global nature of the monetary system that is being used, one would expect an international effort to harmonize the regulation of the global monetary system. By and large, this is happening, but we have not reached a harmonious point just yet, because a wide agreement will entail the sacrifice of some national interests. These national interests are not readily conceded in international negotiations, but progress is being made.

When we look to the future, we can see a greater degree of international cooperation in dealing with globalized crime. Military establishments may offer more support for policing efforts. Modern terrorism has blurred the boundary between war and peace, and modern organized crime has blurred the distinction between law enforcement activities and military operations.

The process of globalization is not yet complete. As an integrated system of trade and finance, it has become very developed. The problems that we currently face with globalization as a process are the result of a system of trade and finance that has developed faster than the regulatory framework in which trade occurs. As we move into the future, we can expect to see the regulatory framework catch up with the new reality of trade and finance. We would hope that this is bad news for organized crime. ❑



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