Analyzing Organized Crime
A review of the top global policy developments, documents and debates around organized crime

What to Watch in 2014

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Introduction

Happy New Year to all from the Global Initiative.

As we start 2014, organized crime continues to play a prominent role in exacerbating conflict, undermining democracies, threatening the environment and denigrating human security across the planet. In an effort to drive a better global response, for this first edition of Analyzing Organized Crime for 2014, we pick out the top ten organized crime themes to watch in the coming year.

In addition to our monthly briefs, the Global Initiative posts regular news stories of interest on the Global Initiative Facebook Page. Our LinkedIn site is used to engage open debates on priority issues, and is also where we share research opportunities, consultancies and jobs. For daily bulletins on breaking global organized crime developments, follow the Global Initiative's twitter feed at @GI_TOC. All of the reports referenced in this Analyzing Organized Crime brief, plus several hundred more, are available to download from our website at the Global Initiative Resource Library.

We launch our first substantive report this month: “Illicit Trafficking and Instability in Mali: past, present and future.” The report is based on original research across the country, and takes a critical look at the ways in which trafficking have woven into the fabric of the Malian state, and how this will impact efforts toward peace consolidation and state building. This report is part of what we hope will be a broader series of analysis on the impact of organized crime on governance, democracy and state fragility.

If you want to know more about what the Global Initiative accomplished in its inaugural year, the 2013 Directors Report is available online. And as we move forward into a new year, we continue to welcome partnership, engagement and feedback from all interested parties, so please do not hesitate to reach out to us at: secretariat@globalinitiative.net.

2014: A marker of the effectiveness UNTOC: the global instrument against transnational organized crime

October 2014 will see the holding of the 7th Session of the Conference of Parties of the United Nations Convention against Transnational Organized Crime. The Convention was opened for signature in mafia-blighted Palermo, Italy in 2000 (and thus also known as the Palermo Convention). At the time was hailed as an important step in the global fight against organized crime. On September 29th, 2003 the 40th state became party to its provisions, and in so doing provide the quorum necessary for the Convention to come into force. By December 2013 the Convention had an impressive 179 state parties.

Despite these numbers, it is difficult to evaluate how effective the Convention has in fact been in curbing organized crime. The Convention and its three protocols on trafficking in human beings, smuggling of migrants and trafficking in firearms cover a lot of ground. But to complicate matters, they have different membership; the Convention is the basic instrument which must be ratified to be a State Party, but when ratifying the Convention, states still have a choice whether or not to accede to the protocols.

Presciently, at the time of its first signing, some warned that the Palermo Convention was just the beginning of the process, and much more attention would be required if the threat of organized crime was to be reduced in future. Crafted as it was before the ascent of the internet and cyber-enabled crime or the clearer recognition of organized crime in conflict and post-conflict states, the Palermo Convention was arguably designed for a threat that has rapidly and drastically changed since it first opened for signature thirteen years ago.
Ultimately, serious questions need to be asked whether UNTOC has lived up to the high hopes that were expressed at that first ceremony. There has been to date no independent evaluation of its impact globally, regionally or within individual member states. For example, while the Convention can be used as the basis for international cooperation and legal assistance between States Parties, surprisingly no statistics have been globally collected to demonstrate the extent to which it has in fact been used.

The October 2014 meeting will be an important barometer of the extent that Member States are prepared to commit politically to investing in the Convention, primarily by establishing a mechanism/s for review of its implementation. A previous attempt at the 2012 Conference of the Parties failed, and no progress in 2014 will in all likelihood take the issue off the agenda permanently. But ironically, the two issues that have held up the development of a review mechanism for the Convention have nothing to do with the substance of organized crime or whether the instrument remains fit for purpose.

The first seems to be simply the cost of any review mechanism at a time of financial austerity, although there are some murmurings that this reasoning masks a broader disillusionment with the effectiveness of the instrument as a whole, and thus whether a review mechanism is needed at all. That may well be the view of several powerful participants who had initially been strong supporters of the Convention, although nobody has publicly said as much.

The issue in fact is less about the cost per se than about providing funds from the regular budget of the UN. The UN’s regular budget cost is a key policy question for several states who wish to see the organization achieve zero growth, thereby forcing the UN, across its many agencies and programmes, into the notorious challenge of prioritisation. Critics maintain that extra-budgetary funds, which are probably obtainable to support a mechanism, would leave the review mechanism at the bidding of the limited number of (donor) states who would fund it.

The second stumbling block relates to the point that has also bedeviled the discussions around the implementation of the review mechanism for the Palermo Convention’s sister instrument, the UN Convention against Corruption (UNCAC): that is, the participation of civil society groups in the process. Debate on this issue again slowed proceedings at the UNCAC Conference of the State Parties held in Panama City in late 2013.

While seldom openly stated, the nub of this discussion seems to be whether independent civil society groups can participate in proceedings and have their views (and presumably criticisms) of governments officially recorded. The issue at stake, though seldom openly expressed, is that these civil society and advocacy groups are sometimes perceived as being western-funded proxies who will use the process as a platform to highlight poor state progress or worse, active state involvement in corruption or organized criminal activities.

What civil society would actually contribute and how, has also been raised. At least in the case of trafficking in human beings for example, there are multiple organizations doing important work on the ground, often in conjunction with governments. While the vast majority of countries seem (silently) comfortable with civil society participation, in fact, the issue was never debated in detail at the last session of the COP in 2012, as the financial discussions torpedoed the process.

A further issue, which does have a strong substantive element, is also worth highlighting – the scope of the review process itself and whether it should be comprehensive and cover all articles and protocols or have a selected approach. This remains to be decided.
Given all of this, the discussions in the 2014 Conference of the Parties to UNTOC will be an important determinant of how the Convention will be judged in future. It is said that the UN Secretariat itself is unlikely to push for a review mechanism, having had its previous attempt rebuffed.

So the jury seems out on future progress: before the 2012 meeting several countries expressed strong confidence that they would be able to take the process forward, only to have those hopes dashed at late night negotiations. That optimism appears to have now faded.

Given the burgeoning scale of the problem that the Convention seeks to counter and the pivotal need to have an international legal framework in place to respond to transnational organized crime, it is perhaps surprising that previous UNTOC events have attracted scarce attention outside of the conference venue. The global discussion about organized crime continues in a range of other regional or sector specific fora. And perhaps that is in itself a sign that a review mechanism is seen as unneeded, and the Convention an unduly slow process, when the debate has shifted elsewhere.

Organized crime on cyber-steroids

2013 was, in many ways, the year that the world woke up to the extent to which the internet has really changed the game completely for organized crime. While we have long waxed lyrical about the potential for ICT to improve development and solve global ills, criminal groups saw the same potential and acted upon it to further enable existing criminal markets – in everything from drug deals, to sex trafficking, money laundering and identity theft - and at the same time created a myriad of new crimes. Cybercrime has put organized crime on steroids: the internet has made everything possible, while encryption and virtual currencies allow transactions to go undetected, almost anonymous. An entire service industry has grown up to facilitate the cybercriminal, to the point that internet theft and fraud are available to almost anyone with access to a computer. Neither your money, identify, information or even your children are safe, as long as they are connected.

Cybercrime has pushed law enforcement to new lengths to redefine the way they understand and respond to crime, now that one fundamental principle of policing has changed: there is no longer a physical link between criminal and crime.

Big takedowns, like the Silk Road bust which closed down an illicit marketplace worth an estimated $80 billion dollars, highlighted the extent of challenge, but also gave us hope that we were capable of fighting the crime. But just like the mythical hydra, cutting off one head only resulted in two more growing in its place in less than a month. Some innovations have been tried outside of law enforcement, including, for example, a sting operation by an NGO that created a virtual girl to ensnare pedophile sex predators. But vigilante justice cannot be a sustainable response, and ways have to be found that civil society can work in harmony with security institutions to combat a common challenge.

The private sector has a pivotal role to play in both shaping the debate and leading the response, as it is often left to them to bear the financial costs of cybercrime attrition. Credit card companies pay the penalties of identity theft – the state offers little in the way of enforcement or restitution. The greatest vulnerabilities exist in the emerging BRICS economies, where awareness and investment are low, but connectivity is growing exponentially. Cyber-security companies are blazing the trail in trying to protect individual and corporate victims, whereas in times of austerity, the multilateral institutions struggle to find the mandate, expertise, and resources to move forward the agendas.

There is unquestionably an uphill battle to fight. Hopefully, 2014 will be a year in which the international community comes together, both at policy and operational levels, to raise the bar in terms of cultivating awareness, information gathering and sharing, innovation and cooperation amongst a wide range of actors. This is an issue which must stay high on the agenda of all efforts to respond to organized crime.
Of Presidents and Princes: the global fight against wildlife crime

There is a sense of optimism around last year’s efforts to curb wildlife crime. Early in the year, CITES afforded greater protection to marine and tree species; wildlife crime gained welcome attention from a number of sectors, including an Executive Order issued by US President Obama; British Army troops were deployed to train Kenyan wildlife officers; wildlife crime was recognized by the UN Crime Commission as serious organized crime; and the US issued the first reward for the arrest of a wildlife trafficker, Vixay Keosavang. The UN Office on Drugs and Crime produced a hard-hitting awareness film and even pop-star Rihanna proved to be a catalyst for enforcement action.

Yet, despite this in fact 2013 was yet a dismal year for many endangered species as wildlife suffered dreadfully at the hands of organized criminals. Poaching of the rhinoceros in South Africa reached unprecedented levels despite anti-poaching measures, and myriad species threatened with extinction still fail to gain interest, such as pangolins – the world’s most traded wild mammal.

2014 marks 25 years since the international ban on trade in ivory, yet with poaching levels for 2013 look to break record highs, a fifth of the world’s elephants could be lost to crime in the next decade. Last year’s massacres in Chad and the Central African Republic are bleak indicators of what’s yet to come. In December, an international summit on African elephants developed a set of urgent measures to address the crisis.

To indicate its contempt for the ivory trade, the Philippines destroyed its entire ivory stockpile in June and the US followed. In January 2014, perhaps at last feeling some international pressure, China also destroyed a significant quantity of ivory, yet remains the world’s largest market for ivory for both legal and illicit sources.

Yet despite this, there is no reason to believe 2014 will be any better for elephants as the first major seizure of ivory emerged less than a week into the New Year. The trend of burgeoning threats to wild fauna and flora, and disjointed responses, make the prognosis for 2014 bleak. There are however some initiatives worth watching.

In February, British Prime Minister David Cameron will host a global summit on wildlife crime attended by 50 heads of state. The summit will be attended by Prince William, the Duke of Cambridge, who is leading his own conservation initiative, United for Wildlife, which will hold its own symposium on international wildlife trafficking, also in February.

In Dhaka in March, the Bangladesh government will host the second stocktaking meeting of the Global Tiger Recovery Programme. The initiative was launched in 2010 in Russia and aims to double the number of wild tigers by 2022. The meeting will examine key performance indicators against national programmes.

And trumping the trend in global wildlife ‘Days’ featured by the Global Initiative last year, the UN General Assembly has declared March 3 as World Wildlife Day to raise awareness of the world’s fauna and flora.

Will Princes and Presidents help stop wildlife crime? Whilst the proliferation of meetings at all levels is laudable, bringing overdue attention and financial stimulus to global wildlife and other environmental crimes, there is still an urgent need for a better set of responses: for meaningful global policy, cooperation and coordination amongst stakeholders engaged in development and security, open discussions on corruption, and holistic and comprehensive strategies that go beyond enforcement and criminal justice.

Since we cannot ignore the evidence that the current level of response against wildlife crime is largely ineffective, the alternative is to witness the continuing decline in species at the hands of organized criminals.
New Paths in the Americas

Transnational Organized Crime has presented a vexing challenge in the Americas. Despite over a half century of punitive counter-crime strategies, the criminal organizations operating in the region have not only survived, they have financially thrived. This recognition, coupled with high levels of trafficking related violence, has propelled a search for new and effective strategies to counter organized crime groups. Two strategies in particular – gang truces and narcotics legalization – prompted high levels of debate in 2013. Whether these initiatives succeed or fail in deterring organized crime and criminal violence will have a strong impact on the types of strategies proposed and adopted throughout the regions. They are the key issues to watch in 2014.

The first novel strategy being tested against organized crime is playing out in El Salvador and Honduras. High homicide levels in Central America have been driven by territorial conflicts between gangs. Governments in the area initially employed zero-tolerance (mano dura) strategies, relying on coercion and incarceration to lessen the violence. This approach largely failed. In its stead, the governments of El Salvador and Honduras have tried a new strategy, negotiating with jailed gang leaders, and facilitating negotiations between gangs, in an attempt to lessen the violence. Critics charge that in negotiating with the gangs, the governments have politically empowered and given them a potent point of leverage – controlling homicides – over the government.

While El Salvador’s gang truce initial was hailed as a success – with killings dropping by an impressive 45% - it has since edged towards failure. Murder rates have rebounded, while other forms of criminality have spiked; there are persistent rumours that it is on the cusp of falling apart all together. In Honduras, the gang truce has largely failed to drive down murder rates, highlighting the reality that tailored strategies are often extremely difficult to transplant into other contexts. Nonetheless, the truces have not failed yet. Whether they disintegrate or become re-energized in the coming year, and why, will be of key concern in Central America.

The second new strategy in the Americas is the legalization of marijuana. Regional bodies have long discussed such an approach, with the Organized of American States calling for a decriminalization strategy in May of 2013. According to proponents, legalization and decriminalization will "bring the production, sale and use of the drug under [government] control and away from criminal influence." Such as step is often conjoined with a move to treat drug use as a public health, rather than criminal justice issue.

In late 2013, Uruguay became the first nation to legalize marijuana. Nearly simultaneously, the U.S. states of Washington and Colorado legalized recreational marijuana. The drug remains illegal under federal law, though the U.S. Government has indicated it will not immediately intervene. In each polity, a condition of marijuana legalization has involved the regulation of production and the taxation of sales.

The actions by Uruguay, Colorado, and Washington present an interesting policy experiment, and one which legalization supporters' hope will succeed. However, there are several issues to watch closely in 2014. First, what will the cost difference be between untaxed marijuana on the illicit market and taxed marijuana available on the legal market? Second, will existent marijuana users prefer security or cost? Those who used marijuana prior to legalization presumably enjoy access to and are comfortable using illicit sales channels. If taxed marijuana is more expensive than untaxed product, will these users chose to pay higher costs and ensure their safety from arrest (preferring security), or will they opt to buy less expensive, though illegal marijuana? Third, will legalization lead to a minimization of criminal organizations, or will it lead criminal organizations to enter new business areas – such as marijuana supply and producer/dealer extortion? Finally, what will the impact of legalization be on neighboring polities that continue to enforce marijuana prohibition? How will sales, drug production, and criminal activity in border areas be impacted by the radically different legal regimes that are now in force?
The experiment with new drug strategies in the Americas is not only of import for the region. Globally, strategies against organized crime are overwhelmingly skewed towards prohibitionary drug laws and coercive, criminal justice focused tactics. While the global consensus on drug policy is unlikely to shift radically in the coming year, or in the coming decade, experimentation of the kind undertaken in El Salvador and Uruguay allows for the development of alternative strategies which may well be provide greater effectiveness in countering the actions of transnational organized crime groups.

Poisoning the Arab Spring: emerging criminal markets

As the swathe of countries from Libya in North Africa to Syria in West Asia transition through their shift from authoritarian regimes through civil conflicts, political instability and social unrest towards nascent multi-party democracies is providing an opening for organized crime. Criminal groups are leveraging into this period of volatility where state controls have been weakened, to develop new criminal routes and markets for a range of illicit products, including drugs, people, arms and antiquities. At same time organized crime is exacerbating and protracting instability, by corrupting state institutions, funding parties to the conflict, supplying arms and increasing human vulnerability.

Up until recently, organized crime was not a topic that had much traction in the region, save in a few restricted contexts: the illicit trade of consumer goods particularly in and around Southern Libya and the states bordering the Sahara; the smuggling of migrants to Europe; and the Lebanese criminal groups whose operations through their diaspora have been engaged in a wide range of organized crimes.

Three dynamics that have played out in the last year have changed the illicit economy environment considerably. The first has been the dramatic deterioration of state control in Libya. Where Ghadaffi’s iron fist largely controlled both licit and illicit activity within Libya, his demise opened these markets to new players. The country’s location makes it both a gateway to Europe, and an unavoidable corridor of East-West trade in North Africa. Both geographic realities increase the value of the territory for organized crime groups, and hence the violence they are willing to engage in to capture and control the nation’s illicit markets and routes. The growing militia violence in the coastal cities of Tripoli and Benghazi has been partially funded and fuelled by the desire to control strategic assets and markets. In the borderlands, absence of state sponsorship has empowered some historically marginalized groups, and created a new market for protection. At the same time, it has propelled an increasingly vibrant cross border illicit trade with the Sahel countries, and in so doing exacerbate instability there.

A second dynamic has been the crisis in Syria, which has created a new market for arms, and similarly to Libya, opened up new opportunities for criminal actors. As often the case in war economies, smuggling has flourished in everything from food, medicine and people. Migration out of Syria is at an all-time high, and Syrians are pulling connections across Africa, the Middle East and Europe to seek safer havens, some of which have ended in disaster and death. With the growing diaspora network, There has been a huge spike in the number of seizures of drugs and other contraband emanating from Syria, in neighbouring countries and in the Gulf.

Finally, the third trend to watch is the growing Gulf market for illicit goods, but particularly drugs. A number of Gulf States are, for the first time, acknowledging an increasingly active illicit economy in their countries. Where once there was denial, now the Gulf States are demanding an “all hands on deck” approach. The Gulf countries account for over 60% of the world’s growing amphetamine market, according to the latest World Drug Report. Heroin seizures and usage is one the rise, and recently there have been seizures of cocaine in Syria and Lebanon for the first time. Cybercrime is also an organized crime on the rise in the GCC countries.

While the regional conflicts will hopefully stabilize over time, the importance of the Gulf as an emerging market is a trend here to stay, particularly as their economies continue to grow as those in Europe stagnate. This is likely...
to continue to pull all major trafficking flows eastwards, and put new countries into the paths of vulnerability. In particular, in the coming year the international effort to bolster the state and borders in Mali will put pressure on North African countries, through the displacement of both people and trafficking routes. Sea routes entering in Senegal and Mauritania and transiting eastwards are likely to become more dynamic, with transit routes taking advantage of continued state vulnerability in Libya and Egypt.

Organized crime and the development debate

Organized crime is a spoiler to peacebuilding, governance and development. It preys on weak and fragile states. It exacerbates conflict, increases insecurity – both human and state. Organized crime hits the poorest and most vulnerable in society. It constrains economies, heightens income inequality, and suppresses entrepreneurship. Since the siren song of the World Development Report 2011, these phenomena are increasingly becoming common wisdom, often cited in conferences and reports. However, precious few attempts have been made to advance in terms of strengthening the responses in relevant contexts.

2014 will be a year in which the development community writ large will be brought under close scrutiny, as the 2015 Millennium Development Goals (MDGs) are re-pledged without one having been met. The Secretary-General’s 2010 “Keeping the Promise” report recognized that in order to achieve the MDGs, “integrity, accountability and transparency are crucial….for managing resources, recovering assets and combating the abuse, corruption and organized crime that are adversely affecting the poor.” But there has been insufficient effort made to translate the rhetoric into action. A growing number of reports are being written – largely by think tanks and academia – but they are not systematically translating into the institutions setting policy or implementing assistance on the ground.

The conflicts in Mali and Central Africa both have illicit trafficking and organized crime in their roots, yet the framework of response makes little more than semantic acknowledgements of this fact. DDR programmes are rolled out in a formulaic fashion, without a proper understanding of the local drivers of conflict, and livelihood strategies are stuck like band aids: quick to peel off when wet, but doing little to promote lasting structural incentives for communities to push illicit economies aside. While a peace may be achieved, with potent criminal actors at play, citizens feel as insecure as they did in conflict, and the potential remains for a fall back into conflict looms omnipresent.

Donors are increasingly seeking innovations, as the standard security sector and justice institutions have failed to show sufficient results. Flexible financing mechanisms are being piloted, but the recipients remain largely at the institutional and central state level, despite the growing recognition and, in some cases, startling evidence of growing state complicity in criminal economies. Finding the balance between global, regional and national responses appears to be a perennial challenge, as knowledge and decision making is often decentralized, and there is no obvious hub or natural for policy-making. Mainstreaming is needed, but achieving an effective and tangible “mainstreamed” approach is notoriously difficult. There has been sufficient grounded criticism in 2013 of the call-to-arms approach, as presented by the “war on drugs” efforts, to know that this doesn’t work well either.

2014 will need to be a year in which pragmatic and tangible progress can be made on this debate. Pilot programmes tried, and existing efforts evaluated, lessons learned identified and shared. Within the context of the post-MDG formulation, but also more broadly, debates need to take place amongst a broader range of stakeholders. In particular the development community needs to recognize their responsibilities in regards to governance, justice, peacebuilding and development, and to sensitize their staff on the ground to recognize, analyze, understand and customize responses to organized crime within their domains.
Amped for Amphetamines

Amphetamines are quickly becoming the favored drugs of the modern age. Cheap, easy to manufacture, and heavily addictive, the class of drugs has percolated throughout the world and is likely to become more prevalent in the year to come. Amphetamines use is taking hold in new markets, particularly those with expanding incomes in East Asia and the Middle East where, up until recently, recreational drug use was limited. In response to growing demand, new manufacturing points are developed in West Africa and the Pacific, and this is likely to destabilize established illicit economies in these regions. The challenge posed by the drug for law enforcement organizations, as well as on society, healthcare systems and human security promises to be daunting.

Amphetamines are a class of drugs, comprising everything from Benzedrine to Captagon to Ritalin. They are an old, having first been developed in 1887, and have been available on the illicit market for decades. However, the market for amphetamines has exploded over the last decade, indicated by the rate of seizures: methamphetamine seizures alone have risen 77% between 2011 and 2012.

Their popularity has risen dramatically in China especially; in 2008 9% of drug users identified meth as their drug of choice, by 2012 it was 38%. While most of the amphetamines consumed in China were previously produced outside of the country, this has begun to shift. In recent years, increasing numbers of amphetamine labs have been seized throughout the country; in late 2013, a raid on a small village in the south of the country netted 7000 lbs of methamphetamine and 100 tons of precursor chemicals. Reportedly, local government officials were deeply involved. There are far fewer reports on the nature of the networks that distribute domestically produced amphetamines within China, including their scope and any international presence. But the evolution of China’s amphetamine market, and how it is supplied will be a key set of issues in 2014, particularly for the states along China’s borders.

A similar story has played out in the Middle East, where use of Captagon has boomed over the last decade. While consumption of the drug takes place in Saudi Arabia and the United Arab Emirates, production is thought to occur in Turkey, Lebanon, and increasingly Syria. There are some indications that Captagon production is increasing in areas of rebel held Syria. While unsurprising, incipient drug production in Syria could help finance insurgent groups – and thereby lengthen the civil war – as well as create a group of entrenched criminal interests who have little to gain from peace. Amphetamine production in northern Syria, as well as possibly in government controlled areas, is thus a second key area to watch in 2014.

The next hotspot for amphetamine addiction is likely to be Africa. In South Africa, the amphetamine Mandrax has long been a popular drug. However, use of amphetamines was minimal to non-existent throughout the rest of the continent, likely due both to a dearth of supply and an absence of demand. This has started to change however. Africa is increasingly a key entrepot for global drug traffickers, situated centrally between lucrative narcotics markets in North America, Europe, and East Asia. While most drugs are simply transported through the continent, by 2013 a few drug trafficking organizations began to set up amphetamine labs in Nigeria. Like much of the cocaine shipped through the region, quantities of amphetamine filter down to Nigeria’s domestic market. A single dose in one Lagos drug den reportedly costs a mere $1.20. A third key issue to watch in 2014 will be whether Nigeria’s small amphetamine user base metastasizes into an amphetamine epidemic.

Amphetamines are unlikely to decline in popularity. However, the points at which the drugs are produced and the areas in which they are widely consumed are likely to grow. Understanding these dynamics, and developing collaborative programs amongst key governmental and non-governmental stakeholders to counter them will be a key challenge in the coming year.
Boom, bust and bitcoin

This January, bitcoin celebrates its fifth birthday. This flagship of digital currencies, has truly come of age in the last year, achieving unprecedented attention and legitimacy. Germany recognized bitcoin as a unit of account; The US held its first Senate hearing on virtual currencies; Canada opened the first bitcoin ATM, conducting more than $1million in transactions in its first month; the FBI seized $34.5 million worth of bitcoins as it closed down the darkweb site The Silk Road; and the virtual currency has prompted frantic speculation, as its value has increased from $13 at the start of the year, to a high of over $1200 in November.

The future of bitcoin, as well as other digital currencies which are attempting to gain traction (including ripple, litecoin and others) is likely to depend very much on actions taken in 2014. State authorities are coming up with vastly different configurations: Thailand has cast bitcoin as an illegal rival currency, whereas Finland, France, the US, the UK and others have deemed it a perfectly legal monetary instrument. The currency had great traction in China, and Chinese investors were largely responsible for driving the price up so significantly in 2013, but it was also China that sent it crashing downwards, when the People’s Bank of China stated in December that it would not recognize bitcoin as legal tender.

Bitcoin is different thing to different people: for the purists, it is a functional, free market addendum to an increasingly virtual lifestyle; for others it is merely the opportunity to get rich quick on a currency unassociated with governments and completely unregulated; and for others, the ability to conduct almost completely anonymous financial transactions allows a liberation – to launder money and conduct illicit transactions, such as for drugs, weapons or pornography and online sexual services. Or as a recent FAQ on the bitcoin summarized it: “a gigantic goddam mess of idiocy, greed and bad decisions.”

But bitcoin need not be just an instrument for illicit behavior. Bitcoin is often seen to hold greatest value for those developing countries where currency and capital controls are censorious. Some of the more idealistic of supporters also hope that the digital economy can bring social inclusion to those without access to the mainstream financial sector.

Thus, the major focus in the coming year will be on regulation: how currencies will be licensed and taxed. Regulation has become a pressing issue, both to control the exchanges used to trade bitcoins, but also to prevent the currency being used as a criminal haven. As States experiment with different regulations that will decrease the level of anonymity, control the creation of markets and standardize the way that bitcoins can be transferred into the legitimate economy will be critical to understanding the future of virtual currency. Overly strict requirements will undermine the value of the currency as distinct from existing financial transaction methods; overly lax regulations or insufficient capacity for effective monitoring will increase the risk that bitcoin becomes a favoured currency for transnational organized crime group seeking to launder funds.

Ultimately, however, the requirement will be to create a consistent global regulatory framework, and one which provides for a legal prosecution of criminal acts both using and enabled by virtual currencies.
Organized Crime Looks East

In 2013, international attention began to fixate on the organized crime challenge in East Asia. The region is no stranger to organized crime; groups such as Japan’s Yakuza and Hong Kong’s Triads have long exercised a strong influence over East Asia’s criminal underworld. However, the region’s breakneck economic growth has changed the stakes of the game. No longer is East Asia a peripheral market for drug traffickers, cyber criminals, and human smugglers, too small in scope and value to be a target in its own right. No longer is East Asia a peripheral market for drug traffickers, cyber criminals, and human smugglers, too small in scope and value to be a target in its own right. Increasing affluence in China, Indonesia, Vietnam, and the Philippines have propelled a market for illicit goods and services similar in value, and larger in absolute population size, to the traditional high-value illicit markets in Europe and the United States. One estimate notes that by 2025, China’s middle class alone will number 520 million. As East Asia’s licit market booms and beckons, so too does East Asia’s illicit market. Transnational criminal groups have moved rapidly to gain an advantage.

East Asia, and particular China, has become an increasingly lucrative market for drug trafficking organizations. In China, the number of narcotics users is, according to some estimates, above 15 million. Even this huge population of heroin and amphetamine users represents an extremely low usage prevalence rate, both compared to international levels and China’s historic averages. China’s user population is destined to grow. Throughout the region, tens of millions of others regularly purchase and consume narcotics. Historically, producers in the region have supplied East Asia’s narcotics market. This is starting to change. Now, amphetamines are being imported to Japan and China from West Africa, while cocaine is increasingly filtering across the Pacific and into the clubs of Melbourne and Shanghai.

The profits to be made in drug trafficking are huge, and have prompted drug trafficking crime groups from Africa, Latin America, and Europe to try and get involved in the East Asian market. Individuals associated with Mexican drug trafficking organizations have been turning up in increasing numbers in China, including at least one case where one was arrested at a meth lab in the country. Further south, Outlaw Motorcycle Gangs have continued to expand in Australia and South-East Asia, peddling methamphetamines and coercive violence wherever they go. Increased efforts by external organized crime groups to penetrate East Asia’s drug market are likely to accelerate in 2014, propelled as much by the stagnation of narcotics sales in Europe and the US as by the dynamism of the East Asian market.

In addition to drug, human trafficking is increasing throughout the region. The trafficking of persons for labor and sexual trafficking has been an endemic problem for generations. However, the China’s gender imbalance – with tens of millions more males than females - is propelling an increasingly vibrant market in “wife” trafficking. These victims are often trafficked from Laos, Vietnam, and Myanmar; enjoying few rights and high-levels of risk in China, they are vulnerable to domestic violence and forced prostitution.

East Asia has also spurred a sharp rise in ivory trafficking over the last decade. While some consumers are interested in ivory products as evidence of their social status, many have come to view ivory as an investment. In China, there are indications that an Ivory “bubble” has emerged, whereby investor demand and the increasing rarity of ivory producing animals prompt a continual rise in price. In turn, the rapid appreciation in price increases the attractiveness of ivory as an investment vehicle, spurring yet more demand. It is a vicious value circle, and one which, given the finite amounts of ivory in existence, is difficult to deter.

The increased importance of East Asia’s criminal market for criminal organizations makes cooperation with regional governments a vital reality for those seeking to counter those same groups. Cooperative endeavors against ivory, for example, will not succeed without buy in from China. How international actors’ structure their outreach to East Asian governments, and perhaps more importantly how East Asian governments respond, will be a key area to watch in 2014.
Finally, East Asia’s organized crime challenge will not be restricted to the large and rich countries that comprise the dominant markets for illicit goods – such as China, Japan, Korea, and Australia. While the demand for illicit goods emanates from these countries, their wealth and the capacity of their security services will likely prevent them from being seriously disrupted or damaged by the activities of organized crime groups. The poor and peripheral countries of the region will be far more threatened. Limited government capacity in these countries will attract organized crime groups, looking for uncontrollable space in which to establish bases and production facilities. It is quite possible that nations in south-east Asia and western Oceana will be buffeted by high levels of criminal violence and debilitating corruption in the coming years, similar in scope and challenge to what Central American countries are currently dealing with. Signs of violence and corruption related to organized crime in the less affluent areas of East Asia should be monitored closely, lest ripples of violence further destabilize an economically vital yet precarious region.

Maritime Marauding

For international mariners, 2014 began on an optimistic note. Pirate attacks were at their lowest level in seven years, driven in large part by a steep drop in Somali piracy. However, there is reason to take these numbers with a grain of salt. Even while Somali piracy is dissipating, the larger threat of maritime crime is here to stay. Attacks have increased in the Gulf of Guinea, while structural conditions which facilitate piracy – weak state control, availability of weapons, a dearth of economic opportunities – are present in many of the world’s littoral states. A key trend to watch for 2014 will be the evolution of global piracy from opportunistic raids to professional operations engineered by experienced criminals and mariners. It is highly likely that the bulk of attacks will be conducted outside of the western Indian Ocean, with many occurring either in the Gulf of Guinea or East Asia.

Over the last twenty years, maritime piracy has spiked dramatically. Even with the sharp decline in attacks registered in 2013, there were nearly double as many incidents as in 1993. The increase has been driven in part by an increase in international shipping activity, which creates more potential targets to interdict. However structural conditions on land have also played a role. For a host of littoral nations, the last 20 years have witnessed a decline in government capacity, scarce job prospects for many youth, and the emergence of non-state armed groups – insurgents, militias, and gangs – in control of coastal areas.

As 2014 dawns, other trends have emerged to further fuel maritime piracy. The world’s shorelines are increasingly crowded with dense urban eco-systems. Many these cities are barely controlled, with formal governance institutions playing only a glancing role in the actual life of the city. Thick networks of gangs and criminal organization have moved into these areas, pursuing illicit and peri-illicit business opportunities with little fear of arrest or interdiction. The most organized and ambitious amongst these groups are likely to begin to move offshore, targeting the lucrative opportunities for hostages, cargo, and bunkered oil that sit off their coastline. This may already be happening in West Africa, where piracy has become increasingly professionalized over the last five years. Attacks on ships underway have increased, as has hostage taking, and the industrial scale theft of oil at sea.

The latter target hints at a final structural condition that is likely to propel piracy in the coming years. The global search for oil is increasingly occurring offshore, clustering high-value vessels and equipment in easily identifiable zone. They are ripe targets for pirates, especially if the country that enjoys de jure control of the waters does not have adequate naval capacity to assure de facto control.
While piracy is an age-old criminal endeavor, piracy in the modern age differs dramatically from the brigands of yore. It is defined by innovation and professionalization, increasingly linked to transnational organized crime groups, and fueled by opportunity and economic desperation. Modern piracy is also financially draining for the international economy, a reality driven home by the high systemic costs of Somali piracy. In 2014 and beyond, the international community should closely monitor where pirate attacks are carried out, the tactics which are used, and the commodities/types of vessels targeted. Only with continual analysis will rapid responses be found to nip-incipient piracy challenges in the bud, before they morph into more systemic threats.

**Publications and tools:**

**Center for Humanitarian Dialogue** – *Strengthening Mediation to deal with Criminal Agendas* – a practical and policy orientated analysis addressing how to deal with non-state criminal actors in a peacebuilding context.


**GDPO** – *Telling the story of drugs in West Africa: The newest front in a losing war?* – This research report analyses the growth of drug trafficking in West Africa, its impact, and the appropriateness and efficacy of the international response.

**Global Initiative** – *Illicit Trafficking and Instability in Mali: Past, present and future* – The first Global Initiative research report takes an in-depth look at how illicit trafficking engages both with governance and society in Mali, and the implications that this will have in the peacebuilding context.

**Group of Experts on the DRC** – *Final Report of the Group of Experts on the DRC* – highlights again the reinforcing link between instability, armed groups and environmental crimes in the Eastern Congo. Also worth a look is *The Price of Precious*, a stunning photo documentary on armed groups in the mineral trade.

**Hafaza International** – *Combatting Human Trafficking Iraq Initiative* – An interesting overview of human trafficking practices in Iraq.

**InsightCrime** – *InsightCrime Game Changers 2013* – review of the big trends that changed the game for organized crime in the Americas.

**Modern Slavery Index** – *Modern Slavery Index 2013* – A new composite index of 162 countries that ranks it according to the prevalence of human trafficking, child trafficking and forced labour.

**OECD** – *Measuring OECD Responses to Illicit Financial Flows from Developing Countries* – OECD member states are taking a range of initiatives to strengthen their capacity to prevent and detect illicit financial flows. This report evaluates the impact, and highlights what still needs to be done.

**UNODC** – *The role of corruption in the smuggling of migrants: an issue paper* – As migration is increasing dramatically due to the upsurge in conflicts across Africa, this issue paper looks at how corruption is facilitating the trade and identifies possible policy implications.

**UNODC** – *Afghan Opium Survey 2013* – The results of UNOC’s annual survey on opium cultivation in Afghanistan shows trends again on the rise.

**UNODC** – *South-East Asia Opium Survey 2013 (Laos and Myanmar)* – the latest in this annual series produced by UNODC since 2006, shows that opium production is on the rise in the region.

**Van Reisen** et al – *The Human Trafficking Cycle: Sinai and Beyond* – an interesting research report that documents stories of migration from the Sinai to Europe.
Learn More - Get Engaged

The Global Initiative offers a TOC Resource Library on its website: www.globalinitiative.net, as well as a monthly round up and analysis of major TOC developments available by email, and broadcasts of TOC news as it happens on @GI_TOC. You can find the Global Initiative on Facebook, LinkedIn and Twitter or you can also contact the Secretariat directly at secretariat@globalinitiative.net.

Events:


11-12 February 2014 – Symposium on International Wildlife Trafficking – A high level debate on improving responses to wildlife crime, hosted by the Zoological Society of London.


3 March 2014 – World Wildlife Day – CITES effort to draw attention to the critical plight of the world’s wildlife. Find ways to get involved in initiatives near you.

6 March 2014 – Organized Crime in Conflict Zones Conference – a one day forum on transnational organized crime hosted by the War Studies Department of Kings College London.