

Transnational Organised Crime and National and International Security: A Global Assessment

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Introduction

At the end of the nineteenth century and the beginning of the twentieth, a revolution occurred in the nature of warfare. The growth of democracy, nationalism, and the politics of mass participation combined with the industrial revolution to usher in the era of total war. As the twentieth century draws to a close, equally far-reaching changes are affecting the nature of national and international security. Inevitably, security planning will continue its familiar preoccupation with military threats, even as the concept of security is extended and revised to incorporate a variety of other challenges that are less overt and explicit but ultimately no less damaging to political, economic, and social well-being. These new threats to security reflect fundamental changes in the nature of political relationships at both the national and international levels. Particularly important in this connection is the process of globalisation, a process that began with trade and transportation but has accelerated enormously as a result of the communications and information revolutions. One result of this has been a challenge to the state from above, as it has lost control over the global financial system and suffered a significant contraction in the domain of its authority. This contraction is most evident in, but is certainly not restricted to, the inability of states to control the flows of goods and people across their borders. At the same time — and independent from globalisation although exacerbated by it — many states are suffering from a crisis of authority and legitimacy. This crisis reflects long term secular trends and goes far beyond the temporary confluence of circumstances precipitating the emergence of failed states, especially in Africa. It is evident in transitional states where movement towards democracy and the free market needs to be accompanied by effective long term strategies aimed at both nation- and state-building. The difficulties of devising and implementing such strategies are exacerbated by the vulnerability of states in transition to new transnational threats posed by criminal networks seeking to maximise illicit business opportunities while minimising the risks posed to them by law enforcement.

In effect, the world has become much more complex, with what James Rosenau termed the state-centric international system continuing to function according to the dictates of traditional geopolitics, while operating within the context of a multi-centric world in which geopolitics has been transcended, and in which territory, spatial relationships, and the constraints and privileges of sovereignty, are far less compelling.¹ New transnational actors have emerged to pose novel and insidious security threats, while traditional categorisations of states based upon power and wealth have been rendered inadequate and incomplete. Maps of the world have always been grossly deficient as anything more than crude representations of reality. Increasingly, however, they have become misleading. In some areas of the world, the borders portrayed on maps are typically disregarded and almost wholly permeable. In addition, the development of cyberspace has not only transformed the capacity to engage in a variety of cross-border transactions but also altered the relationship between territory and security. Cyberspace has no frontiers. One of the major tensions of the next century, therefore, will almost certainly stem from efforts to reconcile traditional forms of political organisation and security planning with new economic, social and technological realities.

Transnational criminal organisations (TCOs) are both contributor to and beneficiary of these tensions. Their rise is inextricably linked to globalisation and the crisis of state authority, and because they are so deeply rooted in these structural changes, they cannot be dismissed simply as a modern form of a familiar law and order challenge. In fact, they are one of the most important security challenges not only at the end of the 1990s but also for the next century. This chapter sets out to explore the nature of this challenge, offering a global assessment of TCOs and elucidating the threat they present to security at a variety of levels. Outlining a transcendent form of geopolitics, the chapter is divided into four sections. The first part discusses more fully the rise of TCOs, in effect providing the context from which they emerged. Part two looks at the world from the perspective of TCOs, with particular emphasis on their varying relationships with states. It offers a new typology of states extending far beyond traditional distinctions between strong and weak states or economic and military powers. The third section identifies some of the main characteristics of TCOs, and discusses some of the leading organisations and their activities. The fourth section offers an overall

assessment of the ‘global epidemic’ of organised crime and its implications for security.²

Globalisation and the Rise of TCOs

Although definitions of globalisation vary, it is clearly a process in which advances in technology, transportation, information and communications are central. It can be understood as the development of financial, information and communications systems that are global in scope and transcend national borders. Operating transnationally in the new global market has become a central characteristic of the modern corporation, encouraging many in the corporate sector to embrace the concept of a ‘borderless world’ in which sovereignty is irrelevant.³ Yet, globalisation has a more sinister dimension: the very developments which facilitate the transfer of goods, people and money through the global economy facilitate the transportation of drugs, arms and illegal aliens, the rapid movement of ‘dirty money’, contract killers and contraband of all kind, including nuclear material. Indeed, each of the various dimensions of globalisation has not only encouraged or crystallised the emergence of TCOs but also facilitated their extensive and pernicious activities and the concomitant rise of black markets. Consequently, it is necessary to look briefly at these dimensions and to elucidate their role in transforming organised crime from a domestic to a transnational phenomenon and from a law and order problem to a national and international security threat.

The free movement of people, information and ideas has become truly global — and this trend is likely to intensify. Air traffic in particular has provided the easy mobility that facilitates international business meetings, international vacations and travel on a scale that is unprecedented. Moreover, one of the most significant results of the collapse of the Soviet Union has been the emergence of new air routes to and from regions such as Central Asia that were previously inaccessible. This allows new business linkages but also facilitates the movement of drug traffickers from areas of production to the large consumer markets in Western Europe and the United States as well as the ‘new rich’ in Russia.

The other and more complex aspect of mobility of people is migration. Driven by the desire to escape poverty and carve out a better life, current migration levels are unprecedented, with some estimates claiming that there

are now about 100 million migrants worldwide. Push factors include poverty, famine, conflict and repression, while pull factors include economic opportunities in industrial and post-industrial states as well as transnational family and ethnic networks. In addition to the legal migrants, of course, there are also the illegal immigrants, over a million of whom are apprehended by the United States border patrol annually. According to one estimate, in June 1996 traffickers were expected to move about four million migrants in 1996 thereby earning profits as high as eight billion dollars.⁴ Not surprisingly, many countries have major illegal alien problems. South Africa has somewhere between a half million and two million illegal migrants, while estimates suggest that about 300 000 people are smuggled into Western Europe each year. There are an estimated half a million illegal immigrants in Thailand, over 300 000 of whom are Burmese and provide labour for the construction industry and women for the service and sex industries, while Russian authorities believe that up to two million illegal immigrants from Asia and Africa are in Russia. For developing states and states in transition, the illegal migration problem can be overwhelming, adding to demands for state provision and services that simply cannot be met. In spite of this, illegal immigration is likely to increase considerably over the next decade, propelled by developing country demographics. As the working age population grows much faster than employment opportunities, people will either migrate geographically or move from the licit economy to the illicit — or pursue both options.

Most migrants, including many of those who enter their destination country illegally, are generally law-abiding citizens. Yet, among them, there are inevitably members of criminal organisations who bring with them their criminal skills and knowledge and their criminal affiliations and contacts. Chinese, Nigerian, Italian and Russian diasporas who have all acquired significant criminal elements as members of criminal organisations in one country have moved to another, where the risks from law enforcement are lower and the opportunities for new forms of criminal entrepreneurship greater. Examples include the Italian and Sicilian diaspora of the 1960s and 1970s to places as diverse as Australia, Venezuela and Germany. Subsequently, the Cuntrera family in Venezuela became critically important in providing cocaine supplies from Latin America to Italian criminal groups. Similarly, during the 1970s and 1980s, some of those allowed to emigrate from the Soviet Union were criminals, and provided a foundation

for criminal activities in the United States and Israel that subsequent Russian emigre groups were able to consolidate and extend. This is difficult to prevent: the increase in business, personal and leisure travel, as well as the increase in migration, undermines government efforts to monitor and control access to national territory. Moreover, the ethnic networks resulting from diasporas are an important resource for many TCOs: they provide cover, recruits, and transnational linkages that facilitate criminal activity. And because law enforcement penetrates immigrant communities with difficulty, they have an inbuilt security mechanism.

Another major component of globalisation has been the vast growth of international trade, a process greatly facilitated by the free trade system set up after the Second World War. Lowering of tariffs, the creation of free trade arrangements, and the gradual integration of the former Soviet Bloc into the global trading system have all encouraged steep increases in global trade during the 1990s. Between 1990 and 1994, for example, the number of cargo containers in the world jumped from under six million to well over eight million. There has also been an increase in the amount of world seaborne trade. Once again this provides an environment that is highly conducive to the activities of TCOs: the opportunities to embed illicit goods in licit have multiplied and are continuing to increase, while problems of inspection and monitoring have becoming even more formidable. Along with the increase in global trade has gone a significant increase in the opportunities for both fraud and theft.

Another key feature of globalisation is a financial infrastructure linking countries, banks and other financial institutions, such as brokerage houses and stock markets, currencies and investment portfolios, in a global exchange mechanism that operates twenty-four hours a day, uses ‘megabyte money’ and is not under state or government control.⁵ Initiated by a process of deregulation which governments embraced as synonymous with enhanced competitiveness, facilitated by technology, and driven in part by the massive increase in transactions and the move from an investment to a speculative economy — what Susan Strange has termed ‘casino capitalism’ — the new global financial infrastructure offers multiple opportunities for criminal activity.⁶ This is especially the case because the increased volume of financial business has not been matched by the development of regulatory measures. Moreover, the growing diversity of monetary

instruments, the increased number of financial transactions (futures and derivatives) not linked directly to real products, the growing use of cyber-money and smart cards, new banking methods, such as correspondent banking, and the use of representative offices and foreign branches are all making control even more elusive. The system has many points of access and makes it possible to trade anonymously, to move money rapidly and easily, and to obscure both origin and ownership, thereby making it impossible to differentiate between 'dirty' and 'clean' money.

The global financial system has many safe havens for hot money. In effect, it has three distinct tiers: an ostensibly well-regulated zone in which there is strict regulation against money laundering; offshore banking havens with strict customer secrecy and a very congenial environment for laundering activities; and a large, unregulated zone in countries of the former Soviet Union and parts of the developing world where appropriate norms, procedures and conventions have not yet been established. These divergent levels of regulation ensure that efforts to prevent the global financial system from being used for money laundering simply push such activities from areas where they are illegal to countries where the origin or source of money is irrelevant.

Another dimension facilitating the rise of transnational organised crime is the emergence of global cities with large, cosmopolitan populations connected to one another by advanced telecommunications and transportation links. Some of these cities are national capitals, while a small number have also become mega-cities with over ten million inhabitants, many of whom live in appalling conditions. They provide urban environments in which survival takes precedence over the rule of law, in which alienation and anger are rife and in which localised street gangs become a primary form of social organisation. The most ruthless and efficient of these gangs are likely to develop into significant and powerful TCOs. In other words, global cities are excellent incubators for the criminal organisations of the future. Such cities are also congenial environments for criminal organisations of the present, providing anonymity and encouraging the kinds of survival skills and bonding mechanisms that underpin all successful criminal enterprises. In addition, they provide excellent opportunities for the establishment of links among criminal organisations and between criminal and terrorist organisations. Cities like Rio de Janeiro,

for example, have already witnessed the development of criminal cosmopolitanism in which criminals of various nationalities work side by side, a form of co-operation which often extends beyond the city and ultimately beyond national borders.

Another dimension of globalisation is the growth of information and communication systems which are linked to — and complement — the global financial and transportation systems. In post-industrial states such as Japan, Western Europe and the United States, sophisticated computer and information systems have become key components of the economy, increasing both sophistication and dependence. Technology has been embraced enthusiastically and with little attention to inadvertent vulnerabilities that might result. Yet, the capacity to engage in actions that produce catastrophic disruptions in the national and global information infrastructures is also becoming more widespread. The diffusion of information technology has been accompanied by a new form of individual empowerment, the negative side of which is the emergence of the hacker/cracker sub-culture. Information warfare or indeed information crime has very low 'entry costs'.⁷ One person with a computer, a modem and the requisite knowledge and skills has the capacity to wreak considerable havoc on national and global information systems, overcoming security mechanisms and fire walls. This is likely to result in convergence between organised crime and white collar crime, as criminal organisations use the information infrastructure as the mechanism for both old and new forms of financial fraud and embezzlement. In addition, the speed and ease with which information can be transmitted provides greater opportunities for theft of data and intellectual property.

Global and national information infrastructures also provide opportunities for disruption and extortion. To the extent then that TCOs are seriously threatened by law enforcement efforts, they might engage in disruptive activities as part of deterrence or retaliation strategies. Alternatively, simply exhibiting the capacity to damage crucial nodes in the information and communications infrastructure could itself enhance the coercive power of these groups. Vulnerabilities in national and global information infrastructures provide transnational criminals with new forms of bargaining power while offering novel opportunities for extortion. Criminal organisations can use threats to computer and information systems in order

to extort large payments from companies that find it preferable to pay up rather than lose their capacity to operate effectively in a very competitive business environment. In Britain, it was reported in early June 1996 that companies, banks and trading houses had paid over 600 million dollars to avoid having their computer systems shut down or disrupted.⁸ Unless potential targets of ‘cyber-extortion’ manage to reduce their vulnerability they are likely to continue at the mercy of any groups with the capability to inflict serious damage on what has, in effect, become the central nervous system of corporations and financial institutions, not to mention post-industrial nations.

The development of cyber-space is inextricably linked with one of the most significant but least understood consequences of globalisation — a contraction in the domain of state authority. Resulting from long term secular trends, this contraction is irreversible. States, in effect, have lost control of markets (and are unlikely to be able to re-establish control). This is reflected in the development of parallel or informal economies, the rise of grey and black markets and the inability of states to prevent flows of illicit products across their borders or to stem the tide of illegal migration. It is also reflected in the growing concerns over the theft of intellectual property, the growth of transnational software piracy and counterfeiting of both products and currencies. Moreover, there is a major paradox here: efforts to regulate and control these markets through enforcement measures create perverse incentives for both the expansion and more efficient organisation of supplier arrangements. Those groups best able to circumvent national and international regulations and supply illicit goods and services with some degree of predictability stand to increase their profits enormously. States acting alone or in concert are able to disrupt or impede the functioning of markets only at the margins, especially in view of the high priority they give to the facilitation of licit commerce. This helps to explain why arms embargoes have rarely worked effectively. It also suggests that unless more innovative methods can be found for responding to illicit markets, these markets will continue to thrive.

In sum, a globalised world is replete with opportunities for criminal organisations to advance their illicit activities. Borders and the formalities of sovereignty remain important, not in hindering criminal activities — the groups are able to circumvent border controls much of the time — but

primarily because they hinder government responses to criminal activities. TCOs operate easily across frontiers, exploiting the fact that government and law enforcement agencies still have to operate in a bordered world. In effect, they are ‘sovereign free actors’ exploiting certain inherent advantages over ‘sovereign bound actors’.⁹ Simultaneous with this challenge to state authority and sovereignty from above, there has been an erosion of state legitimacy and authority at the national level. This has increased the number of weak states in the world, a development with important implications for the relationship between TCOs on the one side and states on the other.

TCOs and the State

TCOs, Weak States and States in Transition

A growing realisation through the 1980s, one which gained heightened clarity during the 1990s, was that the rise of transnational organised crime is inextricably connected with the weakness of many states in the international system. Yet state weakness is not a new phenomenon. Nor is the link between weak states and organised crime novel. The weakness of the Italian state in the nineteenth century facilitated the rise of the Mafia in Sicily: with the state incapable of providing protection and arbitration for business, the Mafia developed to fill the vacuum.¹⁰ During the 1970s and 1980s, the weakness of the Colombian state and its lack of control over territory nominally under its jurisdiction was a major factor in explaining the rise of Colombia as the corporate headquarters of the South American cocaine industry. State weakness gave Colombian drug-trafficking organisations a comparative advantage over their counterparts in Peru and Bolivia.¹¹ Perhaps the most dramatic examples of state weakness providing ideal conditions for the rise of criminal organisations, however, are to be found in the states of the former Soviet Union. The collapse of the Soviet state was a major factor in the upsurge of organised crime in Russia and other former republics, providing both unprecedented opportunities for criminal organisations and incentives and pressures for citizens to engage in criminal activities.

Criminal organisations tend to develop and flourish amidst the conditions that almost invariably accompany transitions to democracy and the free market. The political transition in South Africa, for example, has been

accompanied by an upsurge of indigenous criminal organisations and the influx of groups from outside the country, as well as an increase in the problems of drug abuse and drug trafficking and associated violence. Part of the reason is that transitions are characterised by one or more of the following features: the collapse and re-establishment of state structures; major shifts in the principles underlying economic management; a redefinition of the principles and values on which society operates (e.g., who is eligible for participation in political affairs); and a re-orientation of relationships with the outside world usually involving an opening of the economy and the society. In some cases, transition is predominantly economic; in others it is primarily political.

In the case of South Africa, the end of apartheid and the assumption of power by the ANC has been accompanied by efforts to extend economic opportunities to the black majority population. Establishing an effective and comprehensive economic programme, however, is likely to be a long term process. In the meantime, limited opportunities in the licit economy encourage migration to the illicit. There also has to be a sustained period of state building, since the security institutions and those responsible for law enforcement have a low level of legitimacy associated with the old regime. Although there is a greater degree of continuity, especially in the intelligence community, than might have been expected, *“police forces in the region are under-staffed and under-trained”*.¹² Moreover, the end of economic isolation has brought both problems and benefits, as the northern borders which, in the past, were heavily patrolled to prevent guerilla infiltration have been opened to illicit as well as licit trade, and to illegal as well as legal migration.

In the case of Russia (and indeed, other states of the Commonwealth of Independent States) all four dimensions were — and are — involved. There was a major weakening of state structures during the early 1990s: the Communist Party and the Soviet state had been synonymous, so that when the party collapsed the state did likewise.¹³ There was also a major disruption of the economy as familiar institutions and practices were abandoned in favour of new ones that would take up to a decade to implement, and perhaps even longer to come to fruition. In addition, there were great uncertainties in society as the familiar gave way to the novel, the anticipated to the unexpected, and existing norms and conventions of

behaviour were suddenly deemed outmoded and inappropriate, although new norms and conventions were not yet firmly established. Finally, there was not only a reorientation of Russia’s relations with its erstwhile enemies as well as with the other former Soviet states, but also an unprecedented opening of the borders and an effort to encourage foreign business to invest in the new Russian state. Each of these developments had significant implications for the growth of organised crime.

Transitional states lack the capacity to impose the same degree of order on the population as that achieved by the old regime. In periods of upheaval many of the normal constraints on the behaviour of citizens disappear or, at the very least, are severely weakened. As Durkheim argued fifty years ago, most societies have regulatory mechanisms to restrain criminal behaviour through both formal sanctions and social norms, *“but when society is disturbed by some painful crisis or by beneficent but abrupt transitions”* it becomes incapable of enforcing restraint—at least temporarily.¹⁴ One reason for this is the need to rebuild the legislative framework for the management of a new kind of society and polity based on different rules and norms and operating according to different incentive structures. Another is the difficulty of establishing an appropriate balance between respect for human rights on the one side and the capacity for effective action against criminal organisations on the other. Such a balance has proved elusive in Russia where, during the first half of the 1990s, a legal framework for dealing with criminal organisations was absent. With the legal instruments for their arrest, trial and detention not developed, criminal organisations could operate with virtual impunity. The adoption of a new criminal code goes some way to offset this, but the lack of an appropriate regulatory framework for business providing recourse for debt collection and effective and peaceful arbitration of disputes remains a problem. In the absence of such a framework, there is neither protection nor contract enforcement, a condition that allows organised crime to become a surrogate for government.¹⁵ Indeed, one of the major problems in Russia is that the attempt to move toward a market economy preceded the development of appropriate regulatory and legal provisions. In these circumstances, some businessmen turned to criminal organisations to collect outstanding debts or to settle disputes. Recourse to these unorthodox methods had two consequences: it gave criminal organisations an *entre* into the business world, thereby creating a seamless web between the licit and the illicit, and

it encouraged legitimate businesses to resort to increasingly ruthless methods against their competitors.

Another cause of weakness stems from the legitimacy problems that are faced by law enforcement departments and agencies. In the immediate aftermath of the collapse of the old regime, there is a basic distrust of the instruments of social control because these are still associated in the minds of many citizens with authoritarianism and repression. In many cases law tends to be seen as the instrument of the state against the people rather than an instrument to protect the people against criminal behaviour. At the same time, the law enforcement agencies suffer from serious resource constraints, especially when compared to the transportation and communication capabilities used by criminals. As Graham Turbiville has noted, most states in transition *“are faced with a plethora of economic and political problems that they must address; severe resource constraints that limit the training and equipping of effective law enforcement organizations; and levels of institutional corruption that undermine those anticrime measures actually put into effect”*.¹⁶ In short, the criminal justice system consists of agencies lacking adequate resources, poorly trained for their new responsibilities, and facing formidable adversaries. Criminal and drug-trafficking organisations, in contrast, have abundant resources, are excellent at discovering new criminal opportunities and have some inbuilt defence mechanisms, including the capacity for both violence and corruption.

Another, often overlooked, form of weakness occurs when the state is incapable of making provision for its citizens. Whereas other dimensions of weakness offer opportunities for criminal behaviour, this type of weakness creates pressures and incentives for citizens to engage in criminal activities. Amidst conditions of economic hardship caused by unemployment and hyperinflation, there is a tendency to turn to extra-legal means of obtaining basic needs. Illicit means of advancement offer opportunities that are simply not available in the licit economy. This has taken a unique form in Russia as a result of the decline in status and the collapse in morale of some of the central institutions of the state, such as the military and the scientific establishment. Institutions that were once among the best rewarded for their service to the state have been relegated to the sidelines, with the military in particular having had to contend not only with an unpopular war but with poor conditions, low status, and late pay. Not surprisingly, therefore, corruption in the Russian military has become

pervasive, with all ranks engaging in their own entrepreneurial activities and selling both light and heavy weapons to anyone with the money to pay.¹⁷

Another feature of states in transition is that they generally display a greater degree of openness to the outside world. In the case of South Africa the isolationism was imposed through sanctions and military defences against infiltration; with the former Soviet Union, it was a mixture of Western policies and Soviet preferences. In the transition phase this is abandoned in favour of a new openness, reflecting the desire of the state to become integrated into the global economy. Foreign trade and investment are regarded as essential to economic growth and development. The difficulty is that when borders are opened, controlling who and what enters, and distinguishing between licit and illegitimate business activity becomes much more difficult. States in transition are highly permeable. In the case of South Africa *“the region’s extensive, air, sea and land infrastructure make it a prime conduit for moving illegal cargoes. ... Long, porous border and weak border controls, including undermanned ports and numerous secondary airports, give drug traffickers and other smugglers nearly unlimited access to transport their goods”*.¹⁸ This description is equally applicable to many of the states of the former Soviet Union.

The implication of all this is that states in transition generally fall into the category of weak states providing a propitious environment for the emergence of criminal organisations. The emergence of these organisations, however, is the beginning rather than the end of the story. States in transition have unique vulnerabilities which criminal organisations exploit ruthlessly in efforts to ensure that such states remain safe havens within which and from which their organisations can engage in a variety of criminal enterprises with a high degree of immunity. To focus only on the relationship between weak or transitional states and transnational criminal organisations, however, is to miss the complexity of a relationship which has two major extensions, with many variations. One concerns the orientation of the state toward organised crime; the other is the role of the state in relation to the activities pursued by transnational criminal organisations.

State Orientations towards TCOs

As regards the orientation or disposition of the state towards transnational criminal organisations, there are several possible approaches:

- **Confrontation.** In this case the state struggles vigorously against the activities of the criminal organisations and attempts to control, disrupt or destroy these organisations through a mix of law enforcement and other methods.
- **Reluctant Acquiescence.** This occurs when the state accepts that it is unable to do much about organised crime activity on its territory and therefore resigns itself to the continuation of these activities.
- **Tacit Connivance.** This tends to occur if the state lacks the power to confront organised crime **and** acknowledges that there are real benefits — to the economy, to society, or to the state officials themselves — in the operations of organised crime in and from the country. In this case, government policy tends to be limited to denunciations of criminal activities which are primarily symbolic but help to disguise the operational passivity of law enforcement.
- **Active Encouragement.** The state tends to adopt this orientation if key members of the state apparatus benefit directly from the enterprises of the criminals and are therefore willing to take steps to protect these organisations, either preventing or sabotaging initiatives to counter their activities.
- **Collusion.** This occurs when the state apparatus becomes enmeshed in a fully symbiotic relationship with criminal organisations, becoming a full partner in these activities rather than merely a relatively passive beneficiary. In a collusive relationship high level representatives of the state go beyond protecting the organisation to working closely with it in the furtherance of its criminal enterprise. There are some collusive relationships, however, in which the collusion is relatively low-key and covert and others in which it is more overt. Both Italy and Japan during the Cold War provide examples of low-key collusion between state authorities and home state criminal organisations. A more overt example was the Bolivian narcocracy of the early 1980s, in which the military government led by Luis Garcia Meza was little more than a front for the country's major cocaine trafficking organisations. Part of the difference is that when advanced industrialised or post-industrialised states are involved, the collusion is far less apparent than when the state is poor and underdeveloped and its reliance on the export of illicit goods and services is more obvious.

Not surprisingly, those states which adopt a confrontational strategy towards transnational criminal organisations are usually both strong and legitimate. The other orientations in contrast are often the result of state weakness. Indeed, criminal organisations take advantage of this weakness and try to perpetuate it, ensuring, at the very least, reluctant acquiescence and, at most, collusion. As one close observer and practitioner has shrewdly noted, *“organized crime may begin to grow in a country due to gaps in laws or enforcement. But over time these gaps have to be forced open into ever larger holes in governance to make room for the criminals’ greed.”*¹⁹ Perhaps even more important than greed in this enlargement process, however, is the desire of the criminals to retain a low risk environment in which they are safe from arrest and from which they can engage in a variety of transnational criminal enterprises. Sometimes they try to achieve this by portraying the society as a whole as a beneficiary of their activities. To the extent that they succeed in this, tacit connivance is the result — a state orientation which allows the criminal activities to continue virtually unimpeded. The next phase — active encouragement by members of the state apparatus — often meshes with, or results from, successful efforts by the criminal organisations to use corruption to ensure the perpetuation of a low risk environment. The fifth type of relationship can be brought about as a result of a strategy of co-option by the criminal organisations and a willingness of government officials to serve themselves rather than the state. Indeed, corruption is used extensively by criminal organisations as an instrument to protect themselves, and this often grows over time to the point where it is *“increasingly difficult to distinguish between the criminals and the officials who are supposed to be fighting them”*.²⁰

Criminal Enterprises and State Roles

Separate from the disposition of the state towards criminal organisations is the role of the state in relation to the enterprises of the criminal organisations. In this regard it is possible to distinguish four kinds of state:

- **Home States.** These states provide the base of operations from which TCOs operate, generally providing a congenial environment for these organisations. Often that congeniality has emerged out of weakness, and the criminal organisations have taken steps to ensure that state authorities are willing to acquiesce, connive, encourage, or collude in their activities. The importance of sanctuaries or safe havens of this kind

is difficult to over-estimate: so long as TCOs are able to operate from safe havens, efforts to combat them are inherently limited. In effect, it is only possible for law enforcement to disrupt subsidiary operations while the centre of gravity of the transnational criminal enterprise remains out of reach.

- **Host States.** These are generally states in which TCOs have lucrative markets or other targets for their criminal activity. The United States, as well as being a home state for its own mafia organisations, is also a host state for a variety of other groups, many of which are ethnically based and see the United States as a large market for drugs and a variety of other illicit products. TCOs operate effectively and with low risk in those host states, where they are able to embed themselves in ethnic networks providing cover and recruitment. Such networks are difficult for law enforcement to penetrate because of language and cultural barriers. Although host states do not always face fundamental challenges to their security from TCOs — partly because ethnic-based criminal organisations are not rooted in local or national power structures — these organisations, at the very least, pose an intractable law and order problem. Where the state is particularly fragile and is attempting to manage economic, political, and social transitions, the challenge from TCOs is much more obviously a national security threat. After all, threats are inextricably related to vulnerabilities.
- **Transshipment States.** Transshipment states are located on major transit routes for certain kinds of illicit commodities such as drugs, arms or illegal aliens. As Richard Friman has argued, states tend to become transshipment states depending on their access to the target (i.e., the market or final destination for the illicit products) and the ease of transit, which is largely a function of state capacity for interdiction.²¹ Transshipment states are particularly vulnerable to operational corruption (i.e., corruption designed to facilitate the movements of illicit goods through the state) but, in some cases, the corruption can become more widespread, reaching a level where it is, in effect, systemic.
- **Service States.** Service states are those states with particular sectors — usually the financial sector — which are structured and operated in ways that enable TCOs to further their activities, especially the movement and protection of their financial assets. Those states which make up the

offshore banking sector, a sector that ranges from the states of the Caribbean to Luxembourg, Austria, Monaco, Switzerland and Cyprus, at a minimum, are acquiescent, seeing the benefits that come from bank secrecy as outweighing the opprobrium or moral costs that might be incurred. In the case of Switzerland the amoral attitude which facilitated collusion with Nazi Germany during the Second World War has facilitated connivance with members of TCOs wanting to place their money out of the reach of law enforcement. Although Switzerland has several Mutual Legal Assistance Treaties and has been co-operative in those cases where other governments have sought assistance in tracking down and seizing laundered money, greater transparency in the banking sector has certainly not been embraced with enthusiasm. Switzerland and other states have responded to external pressure by imposing greater transparency and insisting on due diligence rules or know your customer practices. For the most part, however, the states comprising the offshore banking sector prefer not to ask questions about the origins of deposits. As pressure grows on offshore banking havens, however, states in transition are likely to take over some of the services, especially as these states tend to worry about capital flight rather than money laundering and need to attract investment regardless of its source or origin.

Although a typology of this kind helps to illuminate the role of states in facilitating or obstructing transnational criminal activities, it is clear that some states fulfil several roles simultaneously.

Russia, for example, is a home state for as many as 8 000 indigenous criminal organisations, yet is also a host state for Nigerian criminal groups as well as a transshipment state for drug-trafficking groups from Central Asia and a service state for Italian criminal organisations looking for safe ways to launder the proceeds of crime. South Africa is in a similar position. In addition to acting as home state for indigenous criminal organisations, it also acts as host to Nigerian, Chechen, Chinese, Zairean and Italian groups.

TCOs

Commonality and Diversity

TCOs are as varied as legitimate economic enterprises in terms of their size, structure, range of activities and degree of sophistication. The organisations

come in various shapes and sizes and with their own skills and specialisations; they operate in different regional and functional domains and different market niches; they use a variety of tactics and mechanisms for circumventing restrictions and avoiding law enforcement; and they vary considerably, both in the scope of their activities and in the threats they pose to security and governance. Yet they also share certain features: they operate across borders; use violence and corruption as a matter of course; have enduring associations whether based on hierarchical structures or looser and more fluid networks; have some kind of trust or bonding mechanisms which enable them to function effectively in high risk environments; and are entrepreneurial and profit-oriented. They also converge in their desire to protect the proceeds of their crimes, and are increasingly engaging in co-operative ventures with one another. Of all these common characteristics, however, it is their willingness to use violence and corruption as a matter of course, combined with their involvement in theft and in the trafficking of either illicit products or licit products in illicit ways (e.g., smuggling cigarettes across borders), which sets them apart from other transnational organisations and that differentiates them from licit businesses. Areas in which there is both convergence and divergence among TCOs include the scope of their activities, their bonding mechanisms, their risk management strategies and their linkages.

One of the most important ways in which TCOs vary is in the scope of their criminal activities. There is a spectrum from Colombian drug-trafficking groups which traffic exclusively in one category of products (even while extending the product range itself from cocaine to heroin) to groups which not only traffic in multiple commodities but also engage in various other activities, such as fraud, extortion, counterfeiting and piracy. Many groups have extensive criminal portfolios engaging in the trafficking of drugs, arms, people, cars, flora and fauna, art and antiquities, while also infiltrating licit businesses. Where all the successful criminal enterprises converge is in the laundering of money. This is the equivalent of profit taking by legitimate enterprises but often involves the movement of funds to safe havens beyond the reach of law enforcement, as well as efforts to obscure the source and ownership of the money.

Most criminal organisations also have some kind of bonding mechanism that provides a basis for trust and helps to guard against infiltration by law

enforcement personnel.²² Such mechanisms range from ethnicity to common experiences in youth gangs, military service, or prison. In some cases, such as Italian criminal organisations, what Peter Lupsha termed the ‘networks of affiliation’ are based on family.²³ In the Chinese case, it is *guanxi*, the notion of reciprocal obligations spanning generations and continents, which facilitates all kinds of business transactions, whether licit or illicit.²⁴ Although a recent analysis of organised crime in the Netherlands concluded that such crime involved a loose, fluid, network of individuals who came together for specific criminal endeavours and then moved on to other associations,²⁵ the more successful and enduring organisations have some kind of bonding mechanisms, even if based only on successful collaboration in previous criminal ventures. Moreover, such organisations often become entrenched in the home society, developing close and corrupt, but mutually profitable, relationships with the political and economic elites.

Similarly, all criminal organisations are concerned, to a greater or lesser degree with managing and controlling the risks posed to them by governments and law enforcement agencies. There are three kinds of strategies for achieving this — prevention, control (defence) and absorption. The balance among these strategies not only varies from one organisation to another but can also change over time within the same organisation. Some of the more powerful and effective criminal organisations have become extremely adept at risk prevention, particularly in their home states. They are able to maintain a congenial environment through bribery and corruption, as well as through forms of patronage that create a sympathetic public. Perhaps the most striking example of actions designed to elicit public support involved the assistance provided by the Yakuza to the people of Kobe after the earthquake in January 1995. It was the Cali drug-trafficking organisation, however, which was most strikingly successful in co-opting the elite of the Colombian state, until pressure from the United States forced Colombia into a much more confrontational approach towards Cali. Other groups which operate in a variety of host states become adept at defensive measures. Nigerian drug-trafficking organisations, for example, increasingly employ couriers who are outside the profiles developed by law enforcement and therefore far less likely to be intercepted. Moreover, the reliance of most organisations on loosely coupled network structures limits the inroads that law enforcement can make and acts as an excellent risk absorption mechanism.²⁶ Networks are

highly resilient and can be reconstituted and revitalised even after suffering serious damage.

The other advantage of network structures is that they can be easily extended to incorporate links with other criminal organisations. In Belgium, for example, indigenous groups have links with Chinese and Italian groups as well as with Turkish networks, while in the Czech Republic law enforcement authorities complain that indigenous criminal groups have been relegated to 'service' organisations for stronger organisations from elsewhere.²⁷ The nature of these linkages extends from transient one-off connections to much more permanent co-operative arrangements that can legitimately be described as strategic alliances. Most linkages are somewhere in the middle and can best be described as tactical alliances. For their part, strategic alliances are characterised not only by sustained patterns of co-operation but also by the expectation that such co-operation will continue.²⁸ Whether the alliances are strategic or tactical, however, they clearly enhance the capacity of TCOs to circumvent control efforts by states and law enforcement agencies, facilitate risk sharing, neutralise or co-opt potential competitors and enable criminal organisations to exploit differential profit margins in different markets. They also suggest that TCOs constitute an increasingly formidable adversary for states.

In short, TCOs are sophisticated in their operations and act rationally both to enhance their business opportunities and to minimise their vulnerabilities. Moreover, the organisations are often characterised by entrepreneurial skills of a high order, by efficient and effective management systems based on generous financial inducements and severe penalties, and by the development of effective intelligence and counter-intelligence capabilities. Not surprisingly, they also display considerable resilience in the face of law enforcement efforts to disrupt and destroy them.

The United States Mafia

Most popular stereotypes of organised crime focus on the Mafia in the United States. The 'mob', however, has declined in importance partly because of Federal Bureau of Investigation (FBI) successes using electronic surveillance techniques and increasing use of informants, partly because of the growing assimilation of Italian-Americans into the mainstream of American life, and partly because of the rise of other ethnic criminal

organisations.²⁹ Indicators of this decline include a drop in membership of the five New York Mafia families from 3 000 in the early 1970s to 1 200 in the mid-1990s, and the fact that twelve Philadelphia *Mafiosi* requested representation by the public defender rather than using more expensive mob lawyers.³⁰ The extent of this decline, however, has been a matter of considerable controversy, with some experienced observers claiming that celebrations of the Mafia's demise are premature. The willingness of Russian criminal organisations engaged in fuel gasoline to pay a few cents on the dollar to Italian crime families in New York suggests that the Mafia is still a force to be reckoned with. Moreover, there have been several reports of ways in which the Mafia is modernising, adapting and seizing new opportunities. One report, for example, suggested that the Mafia was making considerable use of computers and information technology to enhance the management of its illicit gambling operations.³¹ Another suggested that the Mafia has become very active on Wall Street and has infiltrated the stock market, focusing on over the counter trading and NASDAQ small-cap markets, and using coercion and violence against traders and brokers.³² Even though Italian criminal organisations remain an important participant in the criminal underworld in the United States, however, they are no longer dominant.³³ The United States acts as both home and host state to a wide variety of groups, including Chinese, Colombian, Dominican, Vietnamese, African-American, Russian, Albanian, Jamaican, and Nigerian organisations.³⁴

The Italian Mafia

If the Italian Mafia in the United States is not the force it was, the Mafia in Italy itself remains powerful, in spite of a series of recent reverses. The Mafia in Italy is actually made up of four distinct groups:

- The Sicilian Mafia or *Cosa Nostra* which consists of around 180 criminal groups and 5 000 members.³⁵
- The Neapolitan *Camorra* composed of a variety of gangs engaged in a complex mosaic of co-operation and conflict and involved in criminal activities ranging from extortion to Euro-fraud and including both drug trafficking and cigarette smuggling.³⁶
- The Calabrian '*Ndrangheta* a federation of 160 criminal groups with over 6 000 members engaging in contraband tobacco smuggling, drug

trafficking, and kidnapping.³⁷ The *'Ndrangheta* has very close links with the *Cosa Nostra*, as well as extensive international operations. It is particularly active in Canada, the United States, Australia and Russia.³⁸

- The *'Sacra Corona Unita'* in Apulia, the newest and least powerful of the groups, is based on breakaway factions from the *Camorra* and *'Ndrangheta*.

All four are founded upon the law of silence (*omerta*) and upon close associations that are partly functional, partly personal and familial, and partly based on fear. The most powerful remains the *Cosa Nostra* which has spread its influence to the United States, Germany and other European countries and whose transnational activities provided a cushion when the symbiotic or collusive relationship with the Italian state under the Christian Democrats broke down. For a variety of reasons, the Italian state went from collusion to confrontation with the Mafia in the 1980s, a struggle that was costly for all involved. The result for the Mafia was a sharp drop in profit levels. An assessment in *Il Mondo* in 1995 suggested that falling revenues from drug trafficking, a sharp drop in public works spending, stagnation in the market for new construction, increased asset seizure by courts, penitent information that helped law enforcement to target Mafia assets and increasing legal expenses had create unprecedented financial problems for the Mafia.³⁹ In spite of these setbacks, however, the Mafia continues to be involved in a wide range of criminal activities and will almost certainly re-establish the patron-client relations which are so deeply embedded in Italian political life. Furthermore, the four major groups have increased co-operation with one another, a development which enhances the capacity for resistance and provides new business opportunities. In addition, the Mafia has developed close ties with criminal organisations in Colombia and Russia, thereby facilitating new ventures in money laundering, trafficking in counterfeit currency, munitions trafficking, drug smuggling and, according to some reports, nuclear material trafficking.

Russian Criminal Organisations

The rise of Russian organised crime has been remarkable. As suggested above, it stems in part from the collapse of centralised power in the Soviet Union. Estimates suggest that there are as many as 8 000 criminal organisations in Russia about 200 of which are major organisations with

widespread geographical and sectoral influence. These include the six large groups in Moscow — three Chechen groups (the *Tsentralnaya*, *Ostankinskaya*, and *Avtomobilnaya*) who have about 1 500 members between them, the *Solntsevskaya* and *Podolskaya* organisations, and the 21st Century Association — four major groups in St Petersburg, two major gangs in Yekaterinburg (the *Uralmashkaya* and the *Tsentralnaya*) and nine major gangs in Vladivostok.⁴⁰ Although there have been efforts at consolidation, organised crime in Russia is characterised by divisions based on ethnicity, territorial and sectoral control, and generational tensions. Driven in part by a continuing struggle for dominance between the Russian or Slavic groups and those from the Caucasus, Russian organised crime is characterised by a high level of violence. This is perhaps most evident in the number of contract killings which take place, often perpetrated by ex-KGB agents, former members of the special forces, or Afghan War veterans. The targets range from rival criminals to journalists, bankers, and businessmen. In addition, Russian organised crime has deeply infiltrated licit business, consolidating its position in key sectors of the licit economy, including banking and insurance as well as raw material exports.

The issue that has aroused the greatest trepidation, however, is that of nuclear material smuggling. Lack of security at some nuclear facilities, as well as poor inventory management, has provided opportunities for disgruntled workers in the nuclear industry. The possibility that workers, either through economic need or intimidation, could offer weapons grade material to criminal organisations provides the basis for nightmare scenarios that range from large scale environmental damage to nuclear terrorism or nuclear extortion. What remains uncertain, however, is the extent to which nuclear material trafficking is a core activity of Russian criminal organisations. For the most part nuclear material trafficking has been the preserve of amateur smugglers rather than well established criminal groups. Yet, there is some evidence that criminal organisations have been involved on a limited basis in this activity. One arrest seems to have involved twelve members of the *Solntsevskaya* in possession of radioactive material, while, in another case, a group of criminals from Yekaterinburg was involved in the smuggling of large amounts of zirconium to the United States and Cyprus. If nuclear material trafficking is not yet a core activity of Russian organised crime — because of high risks and uncertain profits — it could all too easily become more central.

To combat both nuclear material trafficking and the growing Russian criminal activities in the United States (consisting largely of health care fraud, fuel tax evasion, and car theft and car insurance fraud) the FBI has posted two of its agents to Moscow. In effect, this was an acknowledgment that Russian criminal organisations operate from what is, in effect, a sanctuary or safe haven. Ironically, as well as being home state to its own criminal organisations, Russia is also host state to groups from elsewhere in the Commonwealth of Independent States, from China and from Nigeria.

*Nigerian Criminal Organisations*⁴¹

The emergence of Nigerian criminal organisations is often traced to the collapse of oil prices in the early 1980s and the resulting dislocation to an oil-dependent export economy. Many sophisticated and college educated Nigerians located in other countries were effectively deprived of their source of income. In some cases they turned to crime, often with spectacularly successful results. Indeed, Nigerians have developed large-scale drug-trafficking activities that extend from source countries such as Colombia and Thailand through a variety of transshipment states to consumer markets in countries as diverse as Russia, South Africa, Britain and the United States. Operating from a relatively safe home base characterised by unstable government, a high level of corruption and few resources to devote to the fight against organised crime, Nigerian criminal organisations have become major participants in the global drug-trafficking industry. In October 1996, the United States Department of Justice announced the arrest of thirty-four members of a transnational heroin network that was run largely by Nigerian women. The arrests were made primarily in Chicago, New York and Detroit, but one person was also arrested in Bangkok and one in Pakistan. The key distributor of the heroin in the United States was a Nigerian woman who used her Chicago boutique as a front.

Nigerian criminal activities are not limited to drug trafficking, but are ‘adaptable, polycrime organisations’ active in at least sixty countries. *“They launder money in Hong Kong, buy cocaine in the Andes, run prostitution and gambling rings in Spain and Italy, and corrupt legitimate businesses in Great Britain with their financial crimes.”*⁴² In addition, Nigerian groups have perpetrated a series of large scale maritime frauds. There are also a large number of fraudulent proposals emanating from

Lagos and directed at wealthy businessmen in other countries. It has been estimated that Americans lose as much as \$250 million a year in “4-1-9 schemes, a term that refers to the section of the Nigerian criminal code dealing with advance fee frauds. Individual losses range from around [\$]10,000 to about \$4 million”.⁴³ Nigerian organisations have also engaged in fraudulent activities related to credit cards, commercial banks and government assistance programmes. They obtain documentation for false identities which facilitate check kiting, social services fraud, insurance fraud and electronic funds transfer fraud.

The members of these organisations tend to live modestly and ship money back to Nigeria, where few if any questions are asked about its origin. Although legislation has been passed against money laundering, it is not vigorously implemented. This provides opportunities for leaders of these organisations to accumulate considerable wealth. Not surprisingly, therefore, the success of Nigerian criminal organisations has bred imitation, as individuals and groups from Ghana, Benin, and Sierra Leone have become involved in transnational crime, especially drug trafficking.

Although law enforcement agencies have had some successes, Nigerian organisations have several built-in risk management mechanisms. The use of a variety of different dialects, for example, reduces the usefulness of wire tapping and other electronic surveillance devices. In essence, they have a non-technological way of circumventing hi-tech policing. The fact that the organisations tend to be based on family or tribal ties also makes them very difficult to infiltrate. While the threat they pose in terms of corruption and violence in Western countries is less than that from most other groups, they are a particular threat to states in transition. Nigerian criminal organisations are very active in drug trafficking in Russia, while in South Africa their activities have done much to create large heroin and cocaine markets. And for a country such as South Africa facing the formidable tasks of nation-building and state-building, the rise of new forms of drug trafficking and drug abuse, as well as the associated violence, have been particularly burdensome.

This survey of TCOs, by necessity, has omitted Colombian drug-trafficking organisations, Chinese Triads, the Japanese Yakuza, Turkish criminal groups, Jamaican Posses, African-American criminal organisations, Mexican drug-trafficking families, Dominican organisations and Pakistani

drug barons. Even so, it highlights the global scope of TCOs and gives some sense of the threat they pose to national and international security.

The Threat to Security

In both Italy and Colombia home-based criminal organisations initiated a direct frontal assault on the state, killing members of the judiciary and law enforcement personnel. Such assaults are perhaps the most blatant cases of a direct security challenge posed by TCOs. Yet, in both cases, the assault was beaten back, though at considerable cost to the state, its institutions and its personnel. More often than not, however, the threat is more insidious, using corruption rather than violence, yet eroding both the effective functioning and the integrity of state institutions. In states in transition, in particular, establishing a legitimate state apparatus which is not only fair and just, but is widely seen to be so, is essential. Legitimacy is far less likely to be achieved, however, when there is a widespread perception that the servants of the state are benefitting directly or indirectly from the activities of criminal organisations. In this connection transnational organised crime can appropriately be described as the HIV virus of the modern state, breaking down the immune system and allowing the spread of infection into law enforcement agencies and other state institutions.

The threat posed to the economy by TCOs is equally insidious. Organised crime, of course, provides benefits extending far beyond the members, with its proceeds generating beneficial multiplier effects in local, regional and sometimes even national economies. Illicit trafficking can be a major source of earnings and employment for countries with limited export earnings. Indeed, it is certainly not coincidental that the rise of criminal organisations often occurs amidst conditions of poverty or as an accompaniment to social upheaval, economic dislocation or political disruption. In the case of Russia, the pool of laundered money in the economy provided an important cushion during the early transition years and a degree of liquidity as industry tried to move from a command economy to an economy governed by the market. These benefits, though, are greatly outweighed by the negative consequences. Although criminal organisations often provide protection, contract enforcement and arbitration of commercial disputes, they are ultimately predatory organisations,

imposing their services on unwilling entrepreneurs and demanding a significant portion of profits in return. This adds to the price of goods and services, something that is particularly damaging to consumer confidence, coming as it does during or after periods in which inflation is very high. Perhaps even more disturbing, criminal capital has many advantages over legitimate capital. It is more liquid and those who have access to it can compete more effectively; often driving out legitimate entrepreneurs. Although there are those who argue that today's criminal leaders are the entrepreneurs of tomorrow, this ignores the fact that they stifle and undermine many of today's legitimate entrepreneurs. And finally, the fact that there is considerable illegal money in the economy renders the task of economic management through control of the money supply somewhat more problematic.

Another dimension of the security threat concerns the impact on both individuals and society of various criminal activities. Drug trafficking is particularly insidious and has unfortunate consequences at several levels. Organisations within the illicit drug industry are extremely innovative, developing powerful synthetic drugs and increasing the purity of plant based drugs. Their only concern is profit, and the impact on individuals who steal to feed overwhelming drug habits is ignored, as is the violence that frequently accompanies certain kinds of substance use. In addition, of course, there is the violence that accompanies drug trafficking as street gangs fight to control turf and obtain the profits that go with domination of a particular territory. Additional consequences include lost productivity, which in many societies has significant implications for economic competitiveness, as well as substantial costs in terms of health care and law enforcement.

More generally, TCOs introduce a higher level of violence into both home and host states. On occasion innocent citizens become the inadvertent casualties of internecine warfare or succession struggles. In other instances, licit businessmen are victims of extortion. The most serious threats to individuals, however, come from organisations engaged in 'human commodity trafficking'. Migrants without legal access to their desired destination, often try to enter illegally, placing themselves at the mercy of ruthless organisations which charge exorbitant fees, subject them to considerable deprivation en route and, in the event of payment not being

immediate, more or less indenture them into sweat-shop labour or activities such as drug trafficking or prostitution. Illegal migration also overlaps with the other major dimension of human commodity trafficking — the abuse of women and children for sexual slavery. The sex trade has long been a staple of organised criminal activity. Most recently, it has involved the trafficking of women from Central and Eastern Europe to work as prostitutes in Holland and other West European countries. At the most fundamental level, human commodity trafficking of this kind is a gross violation of human rights and of the essential dignity of human beings. When it involves the systematic abuse of children it is among the most heinous of crimes. Such threats may be a long way from traditional military threats to national security, but for the victims they are more immediate and relevant than any scenario devised by military planners.

It is often claimed that criminal organisations threaten the integrity of financial and commercial institutions. Yet the real threat here is less one of destruction or disruption than it is of exploitation. Criminal organisations want to maintain the existing system, in order to exploit its multiple points of access, capacity for rapid and anonymous money transfers, and lack of transparency. Furthermore, although the movement of criminal capital can have destabilising consequences in particular sectors or on specific firms, the system-wide repercussions are likely to be limited. The amount of money laundered through the global financial system is large in absolute terms but minuscule when compared to the sheer volume of financial transactions occurring on a daily basis. At the same time, the infiltration of the banking system is particularly troublesome in developing countries and transitional states. The attempt to integrate Russia into the global financial system is certainly complicated by the influence of organised crime on Russian banking. Penetration of the banks provides access to information about financial institutions and corporations, paving the way for extortion and infiltration of licit business. Moreover, the accumulation of criminal capital and the unfair advantages it confers can seriously inhibit or undermine the legitimate entrepreneurial activity that is essential for progress. Criminal organisations have greater capital liquidity than their legitimate competitors, and are often able to exercise undue influence over the bidding for contracts. On the other hand, if criminal organisations want to become legitimate then the capital they have accrued can be very important in ensuring the success of their legitimate businesses.

If the threat to financial institutions is real but not overwhelming, TCOs challenge efforts to regulate the global political system and establish codes of conduct, principles of restraint and responsibility, and norms of behaviour. Regimes to inhibit the proliferation of nuclear, chemical and biological weapons, for example, are highly dependent upon co-operation among suppliers and the ability to isolate rogue states that seek to obtain such capabilities. Similarly, efforts to limit ethnic conflict through arms embargoes can all too easily be undermined by criminal organisations trafficking in conventional weapons of all kinds, weapons that since the end of the Cold War have become more widely available. In this connection it is worth emphasising that once a trafficking network is functioning effectively, product diversification is easy. Organisations which traffic in drugs can as easily traffic in arms, people, cultural and intellectual property, or the technologies and components for weapons of mass destruction.

Another form of threat though one that, as yet, is largely unrealised relates to the vulnerability of communication and information systems. The more technologically advanced states are increasingly reliant on national and global information infrastructures subject to disruption and exploitation by criminal organisations. Indeed, the juxtaposition of increasingly sophisticated transnational criminal organisations and the growing reliance of business and governments on computerised information and communication systems offers attractive opportunities for new and very lucrative forms of criminal activity. There is already some evidence that these opportunities are being seized. During 1996, for example, there were reports of companies in Britain, Western Europe and the United States meeting extortion demands in order to prevent the disruption or destruction of their computerised information systems.⁴⁴ Similarly, the growth of on-line banking and other financial transactions highlights the potential for large-scale fraud and embezzlement. For companies or indeed states which are already fragile financial assaults of any kind could be devastating.

In short, criminal organisations add turbulence to domestic politics, and challenge the normal functioning of government and law. They are also linked in complex ways to the growth of the black market in arms. Far from being the only kind of participant in the arms black market — traffic in weapons is one of a variety of products which can bring considerable profit — TCOs are sometimes also customers for armaments, especially light

weapons. It is no coincidence, for example, that in Colombia, where large drug-trafficking organisations coexist with insurgent and para-military forces, there are “*an estimated 1 million legal arms in the hands of private citizens and an estimated 5 million illegal arms*”.⁴⁵ At the very least, it is clear that the operations of the black market in arms are facilitated by the growth of illicit networks of criminals as well as by globalisation. The focus here has been on criminal organisations and the threat they pose to security. Black markets, however, can be transaction-based as well as organisation-based. That, though, is theme for a further study.

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