

Global Agenda Council on Organized Crime

The popular imagination of organized crime - of Sicilian mafia groups confined to certain cities and a handful of criminal markets - is seriously out of date. The criminal enterprises of today represent a multibillion dollar set of networks that prey on every aspect of global society, distorting markets, corrupting governments, and draining huge resources from both. Fueled by the same forces of globalization that have expanded trade, communications, and information worldwide, criminal syndicates not only have unprecedented reach into the lives of ordinary people but they have undermined the competitiveness of multinational companies and the security of governments worldwide.

Borrowing from the UN Convention against Transnational Organized Crime, the Global Agenda Council on Organized Crime defines organized crime broadly – as groups of three or more people, motivated by profit, acting in concert to commit serious criminal offenses. Increasingly networked-based and multinational in scope, organized crime is exerting greater impact than ever before. Indeed, criminal organizations rank among the most entrepreneurial and adaptive elements of the global economy. They have proved particularly nimble in exploiting weak institutions and fragile states, but their impact is profound even in the most advanced economies. Organized crime affects the financial markets of Hong Kong, the banking industry of Japan and the construction industry in New York. Organized crime deters foreign investment in Mexico and Afghanistan, and stifles the reconstruction of many post-conflict societies such as Sierra Leone and the Democratic Republic of Congo. It fosters corruption, illicit trade, and illegal migration, undermines the environment and human rights, and contributes to the depletion of natural resources.

As the world grows increasingly interdependent, criminal organizations will continue to expand and adapt. The rise of new powers such as China, India, and Brazil will pose fresh challenges to the world's ability to contain the spread of sophisticated crime syndicates.

This year, in its first global assessment of transnational organized crime, the UNODC estimated illicit flows tied to crime syndicates at about US\$125 billion per year, with about 85% of that attributed to the trade in illegal drugs. Figures from Europol put EU sales of illicit drugs at an estimated €100 billion per year, while a similar value is attached to the estimated value of organized VAT fraud in the EU.

Such numbers are at best estimates, but even the most conservative figures are vast. And these are just the direct costs. The indirect costs are believed to be far higher, coming in the form of political instability, violence and injury, human health, environmental clean up, and an unfair playing field that favors illicit enterprise. Consider, for example, the social costs tied to illegal drugs, with 250 million users worldwide, in health care, law enforcement, premature deaths and ruined lives.

While these social impacts of organized crime are well documented, less well understood are its economic costs. Organized crime extracts a hidden tax on millions of transactions around the world each day, from cybercrime's impact on the banking industry to the trafficking of counterfeit medicines and intellectual property.

Through tax evasion and money laundering, billions of additional dollars are lost to governments struggling to provide basic social services. This is revenue denied to governments with a direct impact on the taxpayer.

Individual industries are also affected, from banking and real estate to sports and entertainment. Mexico's tourist industry – which employs as many as one in eight Mexicans – has been hard hit by a downturn in visits tied to violence fueled by the narcotics trade. And in the EU, investigators have tied €5 billion in fraud in 2009 to the EU carbon trade emission regime.

The current economic crisis is also influencing the spread of organized crime. Rising unemployment rates threaten to increase the number of individuals alienated from mainstream society and hinder efforts to integrate immigrants and marginal groups. In this event, a growing number of unemployed and frustrated youth will be vulnerable to recruitment by street gangs, organized crime syndicates or terrorist groups. There is also a risk that the economic crisis has made legitimate businesses more vulnerable to compromise – resulting in higher levels of infiltration by criminal groups. In addition, the desire of individuals to maintain their lifestyles despite reduced purchasing power is likely to increase the demand for counterfeit, illicit or smuggled products.

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The UNODC assessment, released in June 2010, offers a sobering list of the varied impact of transnational organized crime:

- The collusion of insurgents and crime groups in Africa and Southeast Asia, plundering natural resources and fueling terrorism;
- The spread of violence by drug cartels in Central America, the Caribbean and West Africa;
- The growth of migrant smuggling in Eastern Europe or North Africa on a par with that in Southeast Asia and Latin America;
- The threat by cybercrime to vital infrastructure and state security, and its growth in identity theft and financial fraud;
- The growth of piracy in the impoverished Horn of Africa, holding ships ransom from corporations based in wealthy nations;
- The traffic in counterfeit goods, undermining legitimate trade and endangering lives;
- The widespread practice of money-laundering, corrupting the banking sector worldwide.

The threat posed by organized crime has prompted the UN Security Council to consider its implications in Afghanistan, the Democratic Republic of the Congo, Central America, Somalia, and West Africa, and in relation to the trafficking of arms, drugs, people, and natural resources. The impact of organized crime on fragile states is particularly corrosive, undercutting governance and confidence in government institutions.

Building on the work by the World Economic Forum's Global Agenda Council on Illicit Trade, the Organized Crime Council will focus on the organizations behind these criminal transactions. Among our priorities:

- sophisticated crime syndicates and networks, illicit enterprises, and criminal conspiracies.
- regional mapping, to provide a look at what types of organizations are most active around the world;
- case studies of multipurpose criminal infiltration (investments, money laundering) in legitimate business (affected industries real estate, banking, and advanced sectors such as the Internet and new technologies);
- the criminal services industry which supports organized crime, including use of attorneys, front companies, and financial managers;
- understanding how organized crime contributes to global risk;
- mapping the impact of organized crime on key global trends (shortage of resources, population growth, continued economic uncertainty and economic disparity);
- crime proofing strategies and standards, based on best practices around the world;
- raising awareness of the impact of organized crime on ordinary people and society at large, through policy reports, news media coverage, and public interaction;
- and ensuring that policies promoted by the Council do not destroy lives or impair civil liberties unduly in the name of fighting organized crime.

Ultimately, we see the role of the Forum's Organized Crime Council as catalyzing investment in the rule of law, in proactive law enforcement strategies, and in building public support for crime-proofing techniques that protect society and improve the world. Effective strategies put into place today – by businesses, communities, and governments -- can have a major effect in minimizing the impact of criminal organizations, putting the brakes on a 21st Century organized crime that is increasingly multinational, network-based, capable, and deadly.

The views expressed here emerged from the Council meetings and interactions and do not necessarily reflect the views of the World Economic Forum or those of all the Council Members. For more information on projects initiated by the Global Agenda Council on Organized Crime, please contact Miguel Perez at mip@weforum.org

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