

TNI Crime & Globalisation

The Economic Impact of the Illicit Drug Industry

In December 2003 the TNI Crime & Globalisation project hosted a seminar on The Economic Impact of the Illicit Drug Industry. The goal of the seminar was to review the substance of the existing figures of the global business volume of the illegal drug industry and the notion of where the illegal proceeds of the industry are going. Issues discussed included: the size of the illicit drug economy, money laundering, the flows, investments and presence of drugs money in the legal economy and its alleged funding of international terrorism.

The issue is not just an academic exercise. The numbers play a significant role in the implementation of drug and crime control policies and money laundering regulations, both nationally as well as globally. Both supporters and adversaries of the current drug control regime use the mythical number of US\$ 400 or 500 billion for the global illicit drug trade as evidence either to reinforce or do away with current drug policies, although nobody really knows if the figures are right – and many question them.

Global enforcement regimes are legitimised on the basis of perceived threats that refer to the estimates of international drug trade, the proceeds of transnational organised crime, money laundering and the amounts of criminal money in the international financial system allegedly funding terrorism. Despite the absence of a proper understanding of the phenomena and their actual impact on society, a body of multilateral agreements and conventions has been put in place at the UN and G8 level 'to fight the scourge'. More recently, the UN Security Council set in motion a global programme against international terrorism and its sources of funding, often connected to organised crime and drug trafficking.

The seminar took as its point of departure the 'facts' about crime and globalisation provided in the 1999 annual Human Development Report (HDR) by the United Nations Development Programme (UNDP). The HDR is a good example of an otherwise authoritative report in which the search for aggregate numbers that

Note on the report

The text of this report is based on an account of the proceedings of the seminar prepared by Alison Jamieson. Subsequently, it was complemented by Tom Blickman with the original introduction to the seminar and additional introductions to the different the sessions. Responsibility for the text lies with Tom Blickman.

are generally misleading become what Nikos Passas referred to as 'facts by repetition' once they exist in the public domain. The data subsequently serve to illustrate the danger of the threat to justify the acquisition of resources – the bigger the number attached to issues the more resources agencies are likely to get to deal with it.

The report depicted the "*virulent synergy between globalisation and organised crime*", and identified the international illicit drug trade as one of the major earners in the global underground economy. According to the HDR: "*The illegal drug trade in 1995 was estimated at \$400 billion, about 8% of world trade, more than the share of iron and steel or of motor vehicles, and roughly the same as textiles (7.5%) and gas and oil (8.6%)*".¹

The HDR painted an alarming picture. Transnational crime syndicates equalling large multinational oil corporations and the power and impact these companies have on national and international scale: "*At the root of all this is the growing influence of organised crime, estimated to gross \$1.5 trillion a year, rivalling multinational corporations as an economic power. Global crime groups have the power to criminalize politics, business and the police, developing efficient networks, extending their reach deep and wide.*" [...] "*All have operations extending beyond national borders, and they are now developing strategic alliances linked in a global network, reaping the benefits of globalization.*"²

The report echoed the concerns of the G8 members. At their annual summit in 1998 in Birmingham they issued a statement that said that "*globalisation has been accompanied by a dramatic increase in transnational crime*" posing "*a threat not only to our own citizens and their communities, through lives blighted by drugs and societies living in fear of organised crime; but also a global threat which can undermine the democratic and economic basis of societies through the investment of illegal money by international cartels, corruption, a weakening of institutions and a loss of confidence in the rule of law.*"³

Even if the figures were right, are the 'crime syndicates' that allegedly control these financial and economic resources comparable with legal transnational corporations? The HDR identifies the usual suspects, like the Sicilian Mafia, the Japanese Yakuza and Chinese Triads, Colombian and Mexican cartels and emerging Russian organised crime groups. But do they really exist as transnational, organised criminal corporations? What is the real extent of their financial resources and power to corrupt societies?

Nowadays, most researchers on transnational organised crime agree that it is better understood as a loose configuration of fragmented, very flexible and dyna-

1. United Nations Development Programme (UNDP), [Human Development Report 1999](#), Oxford University Press: New York/Oxford, 1999, p. 103.

2. Human Development Report 1999, pp. 5 and 42.

3. G8 Birmingham Summit, Communiqué on Drugs and International Crime, May 17, 1998.

mic –sometimes collaborating, sometimes competing– networks. *“Network structures have become particularly prevalent in contemporary organised crime, [...] characteristics that help make them extremely difficult to combat”*.⁴

As such illegal organised crime syndicates are not the same as large transnational legal business corporations. What does that mean for the assessment of their economic power – and the alleged threat to the globalisation process? Although the traditional hierarchic model of the Mafia is replaced by a much more diverse and confused notion of more or less small entrepreneurial groups that collaborate in business alliances, nevertheless, criminal organisations or networks are increasingly viewed as a global threat.

In an analysis of global trends, the US National Intelligence Council noted, *“criminal organisations and networks [...] will expand the scale and scope of their activities.”* They will use their economical power to disrupt states and societies: *“They will form loose alliances with one another, with smaller criminal entrepreneurs, and with insurgent movements for specific operations. They will corrupt leaders of unstable, economically fragile, or failing states, insinuate themselves into troubled banks and businesses, and cooperate with insurgent political movements to control substantial geographic areas.”*⁵

Since the 9/11 attacks, the ‘criminal underworld’ is increasingly merged with that of political terrorism and constructed into one underground ‘axis of evil’ that is a major national security threat. According to the US State Department: *“As we move through the first decade of the 21st century, the United States faces serious threats to its security from international terrorist networks and their allies in the illegal drug trade and international criminal enterprises. Terrorism, international drug trafficking and transnational organised crime simultaneously target Americans and American interests both at home and abroad.”*⁶

A new paradigm seems to emerge – or is it an old one re-discovered? What is certain is that policies are re-oriented towards this assumed threat, while critical analyses of the basic assumption are ignored. The seminar aimed to offer a forum for critical analysis outside the conventional law enforcement agenda of how to combat the problem.

The seminar

The seminar illustrated the widespread recourse to inflated figures, doubtful evaluation processes and the institutional need for numbers. It stressed a need to demystify the ‘numbers game’ as Francisco Thoumi baptised the process, and the underlying concepts such as ‘transnational organised crime’. The most that can probably be said is that the economic impact of the illicit drugs industry seems to

4. Phil Williams, [Transnational Criminal Networks](#), in John Arquilla & David Ronfeldt (editors), *Networks and Netwars: The Future of Terror, Crime, and Militancy*, Rand Documents, 2001, p. 72.

5. National Intelligence Council, [Global Trends 2015](#), December 2000) p. 41.

6. United States Department of State, FY 2004 Congressional Budget Justification for Foreign Operations, p. 63.

be relatively minor in consumer countries, but that it has more political and economic impact in less developed economies with weak institutions. This is where trafficking organisations have more impact. With regard to money laundering, there is a near total vacuum of knowledge: we know little about money laundering methods, how much is invested and what impact this has. Despite a multitude of control bodies there is little empirical data, and the overall picture looks more like a façade of control. Clearly, a better research agenda is needed.

Demystify the numbers

At the seminar there was agreement that data on illegal drugs are hard to collect and interpret, but that most existing estimates simply do not have plausibility. Francisco Thoumi's paper *The Numbers' Game* analysed the various attempts made to quantify the illegal drugs industry.⁷ There was a great demand for data, but very few users wanted them for serious analytical purposes. On the issue of data, it was suggested that there were two types of data – 'data for policy' and 'data in the way of policy'. There was immense political pressure for data to use to manipulate policy.

According to Thoumi, data on the size of the illegal drugs industry are used by different groups for different purposes: by journalists to impress the public, by policy makers to request appropriations, by government agencies to measure the success or failure of drug policies, by analysts to identify beneficiaries of criminal activities and anti drug policies or to explain the existence of international conspiracies to continue ineffective policies, and by advocates of peasants to highlight coca and opium price injustices.

Most users of the data cite figures without first studying the methodologies used or reading the studies that produced them, Thoumi said. They want the 'facts' but they do not want to be bothered by the devil in the details. To say that the illicit drugs trade is equal to around 8 per cent of global trade was extremely misleading. The US\$ 400 billion figure is turnover at the retail level expenditures, which is much greater than the value of the illicit international drug trade. Any serious estimate should study the difference between wholesale export and import prices, which are about 1,000 per cent, compared to about 5 per cent in licit trade.

In his previous work, Peter Reuter had also dismissed the UN comparison of the illicit drug industry with other industries. The US\$ 400 billion number is probably ten times the actual figure for the trade flow, according to Reuter's calculations. "*The UN claim that global trade in illegal drugs exceeds that for iron and steel is a gross exaggeration; it is only one fifth the size of that industry's trade flow. Drugs are a modest contributor to total world trade.*"⁸

7. Francisco Thoumi, *The Numbers' Game: Let's All Guess the Size of the Illegal Drugs Industry!*, paper prepared for TNI seminar on The Economic Impact of the Illicit Drug Industry, December 2003.

8. Reuter, Peter & Victoria Greenfield, '[Measuring Global Drug Markets: How good are the numbers and why should we care about them?](#)', *World Economics* 2 (4), October–December 2001.

According to Reuter *"the global [drug] trade is a small number of tens of billions; expenditures for the European Union and for the US are also each a few tens of billions. Most of the money in Western markets accrues to domestic distributors [...]. Farmers get only minuscule proportion of the total, a few hundred million."*⁹ Reuter roughly calculates about US\$ 150 billion in consumer expenditures on illicit drugs. In that case the trade flow would be down to a mere US\$ 20-25 billion, a very small share of total trade, currently estimated at US\$ 5,000 billion.

Thoumi traced the history of these estimates in his paper. He quoted Thomas Naylor who tracked the origin of the US\$ 500 billion to the late 1980s: *"The \$500 billion figure was the result of 'research' attempted by the United Nations agency responsible for coordinating the global assault on drug trafficking – when the boss was desperate for a quick number before a press conference"* after which that figure received widespread publicity and put UNDCP in a delicate position since it had to justify it.¹⁰

After the US\$ 500 billion 'estimate' was divulged, the UNDCP research section revised in more detail the data it had available and concluded that such a number was exaggerated, and could not be used in the 1997 UN World Drug Report. To avoid potential critics, UNDCP decided to lower it somewhat, and came up with US\$ 400 billion. Thoumi questioned several UNDCP members about the procedure that led to this figure, and the best explanation they could offer, was that they surveyed an array of estimates made in different parts of the world and came up with approximately \$365 billion, a figure that was rounded up to US\$ 400 billion.

The lower \$400 billion figure is a 1995 figure, and appears in a 60 page study, part of the UNDCP technical series, that covers a wide set of issues including drug production, seizures, consumption and the social and economic consequences of drug abuse and trafficking.¹¹ These include the effects on employment and productivity, determinants of illicit drug prices, effects on balance of payments, on financial systems, on investment and savings, on family and community, health, education, environment, crime, corruption and dangers for civil society.

According to Thoumi this was not a document arrived at by a serious effort to determine the size of the illegal drug industry, although it does puts together the results of various studies to obtain a figure for the total world turnover of the illegal industry. The studies did not follow a common methodology, and had been written by unrelated groups. The result is just a total that includes, according to Thoumi, *"not only apples and pears but also bananas and an assortment of tropical and temperate zone fruits, an aggregation of incomparable elements."*

9. Reuter, Peter, [Transnational Crime: Drug Smuggling](#), paper prepared for a conference on Transnational Crime, University of Cambridge, January 2000.

10. Naylor, R. Thomas, *Wages of Crime: Black Markets, Illegal Finance, and the Underground Economy*, Ithaca and London: Cornell University Press, 2002, p. 33.

11. UNDCP, [Economic and Social Consequences of Drug Abuse and Illicit Trafficking](#), Vienna: UNDCP Technical Series Nr 6, 1997.

The study estimated the turnover of the illicit drug industry to vary considerably from about US\$ 100 billion to more than US\$ 1,000 billion a year, due to the clandestine nature of the industry, its complexity and greatly differing assumptions on its operations. The most frequently found figures ranged from US\$ 300 billion to US\$ 500 billion a year and were the most reasonable estimates. A UNDCP estimate for 1995 reflecting global illicit drug sales to consumers gave a figure close to US\$ 400 billion. Interpol estimated a similar turnover. The study quantified such a turnover of the illicit drug industry to be equivalent to approximately 8 per cent of total international trade.¹² It served as the basis for the claims in the Human Development Report of 1999.

While the HDR still used these questionable data, by 1999 the UNDCP had not attempted to follow up its efforts to estimate the size of the world illegal drug market. That year, the Financial Action Task Force (FATF) decided to begin work to assess the size of the world illegal economy and found it convenient to start with an estimate of the illegal drug market, a task that was considered easier than estimating other illegal activities, given the large work on drugs already available. The FATF hired Peter Reuter, an economist renowned for his extensive work on illegal drug markets, to produce an estimate. This job had the full cooperation of UNDCP, which opened its data bank to the researcher.

According to Thoumi, the resulting study is probably the most serious attempt to ascertain the size of the world illegal drug market, and resulted in an estimated range between \$45 and \$280 billion. Unfortunately, after an internal debate in FATF it was decided not to publish the study because some country members expected a larger figure.¹³ The wide range of the estimates reflects the diversity in possible assumptions required at several stages in the production, smuggling and marketing chain.

Thoumi considered whether it was important to have accurate estimates. It could be argued that accurate estimates are needed for rigorous studies of the effects of the illicit drug industry on a country. However, the evidence from several countries shows that the process by which effects develop is very complex and is not directly related to the size of the illegal activity.

For instance, all estimates from the Andean countries show that from the late 1970s to the late 1990s the share of GDP generated by illegal drugs in Bolivia and Peru was substantially larger than in Colombia. Furthermore, in all three countries that share declined through time and by the late 1990s it was much lower than 20 years earlier. Despite those data, there is a consensus that the industry's repercussions on Colombia have been much greater than in the other two countries, and that its current effects on Colombia are worse now than in the past. The effects on institutions and on society are cumulative, so that the actual size of industry today is not the main determinant of impact on the economy.

12. Economic and Social Consequences of Drug Abuse and Illicit Trafficking, p. 3.

13. Reuter and Greenfield (2001) use inputs from the unpublished study.

It could be argued that the effects depend crucially on the structure and institutions of each country and on the policies followed, and that the dynamics of positive and negative effects are very different. Positive effects appear to be brief, while negative effects are cumulative and become aggravated in the long run. For example, during the 1970s and 1980s the illegal drug industry generated real estate and contraband booms in Colombia that most citizens perceived as positive. By the late 1990s the industry was clearly funding the Colombian 'ambiguous war' and its economic effects were clearly negative.

Accurate estimates may be less important than is commonly thought. The illegal drug trade has been 'large' in all three Andean countries, but it is not just the size of the trade that is important, but also its ability to change social behaviours, increase corruption and crime and fund insurgent and counter insurgent guerrillas. The size of the illegal drug industry is not particularly relevant as a 'cause' of these social developments.

For instance, the drug industry funding of Colombian politicians in 1994 amounted to no more than one percent of the industry's annual profit estimates and yet, this forced Ernesto Samper, the elected president, to govern in the midst of a continual four year political crisis.¹⁴ Bolivia is an intriguing case. The 2003 peasant uprisings that led to the resignation of president Gonzalo Sánchez de Losada took place when illegal drug income in that country was at the lowest level in decades and were caused –among other issues such as privatisation of public services and national resources– by the successful eradication programme that the country had implemented since 1998. Yet there are signs that the next Bolivian President may be a coca grower.

Large estimates are used to argue that the illegal industry is the 'cause' of many social ills. The evidence from the Andes indicates that with regard to illegal drugs, causality is not particularly relevant, but rather, it is necessary to focus on the process which brought the illegal industry to the region, which concentrated trafficking in Colombia, allowed the development of large coca fields, prevents the law enforcement agencies from achieving long-lasting success, and so on. One should ask why drugs are grown in some countries and not in others even if geographical and climate conditions seem favourable. A comparative analysis (social, economic, political and cultural) could determine what makes societies vulnerable to large-scale deeply entrenched criminality.

The illegal drug industry has had dramatic effects on institutions and values in the Andes. The illegal industry developed in this area mainly because institutions were weak, state legitimacy was challenged by many who had been excluded from power, and law enforcement was ineffective and arbitrary. Illegal industries and crime develop in societies with structures, institutions and values that make them vulnerable and prone to those developments. The illegal industry trans-

14. Thoumi, Francisco E., *Illegal Drugs, Economy and Society in the Andes*, Johns Hopkins University Press, 2003.

plants itself in these societies, and acts as a catalyst of social processes in which the negative developments outweigh the positive in the long run. The weaker the society, the smaller the illegal industry needs to play a key role in that process.

Thoumi concluded that data on the illegal drugs industry has a high demand but many data users frequently lack the training to understand the data limitations while many others use the data to support positions that have been formed previously and manipulate them for political or ideological purposes.

Good data production requires substantial research and deep knowledge of the societies studied. The great number of possible assumptions needed to produce estimates implies that a single estimate cannot be reliable. Any serious exercise should produce a range of these, and any assessment should be interpreted only as an approximate order of magnitude. Unfortunately, politicians and journalists want sound bites that a complex estimate cannot produce but that a single number can.

The importance of having 'hard' numbers is greatly exaggerated because most uses are political and biased in nature and because most users do not have a formal model in which to apply the data. Furthermore, given the role of illicit drugs as a catalyst that accelerates social processes already in progress, the influence of illegal drugs on society depends not only on the size of the illegal industry but also on the structure, institutions and values of society and on the history of past drug income, on anti-drug policies and on the changes in institutions and values that have occurred. Thus, in a country like Colombia, the illegal drug industry measured in share of GDP is smaller today than twenty years ago but its role in Colombian society today is much more negative than in previous decades.

Finally, according to Thoumi, the moral of the story is that it would be nice to have accurate data on the illegal drugs industry, but it would be a lot nicer if the data were used with scientific rigor, acknowledging their limitations and avoiding political biases.

Do the numbers really matter?

In his presentation *Estimating Global Drug Markets*, Peter Reuter pointed out that the demand for numbers generates its own supply. Unfortunately, it is very difficult to provide estimates. Most existing estimates simply did not have plausibility. Reuter considered whether policy would be improved if the data were better. It was striking how little influence these estimates have had on policy. The US Office of National Drug Control Policy (ONDCP) has been producing estimates now for about ten years but there is not much emphasis given to them.

One suggestion has been to use quantity or revenue estimates to establish performance measures. The recent 'availability estimates' multiagency exercise was strongly resisted by the Drug Enforcement Administration (DEA), which chaired it. This reluctance to participate was precisely because the DEA knew they could be

held to it as a performance measure. In reality, the data were not sufficiently precise enough to detect a difference of the size they might reasonably be expected to generate.

To the question, 'Do policy makers care?' there was a categorical no. The only performance indicator that attracts attention is prevalence – quantity is ignored. It would certainly be useful to know whether there was a change in quantity consumed of 5 per cent in a year or of 25 per cent over five years, but it is impossible to know this with current data collection. There has been no attempt to meddle politically with the estimates on expenditures – which were less than \$60 billion in 2000.

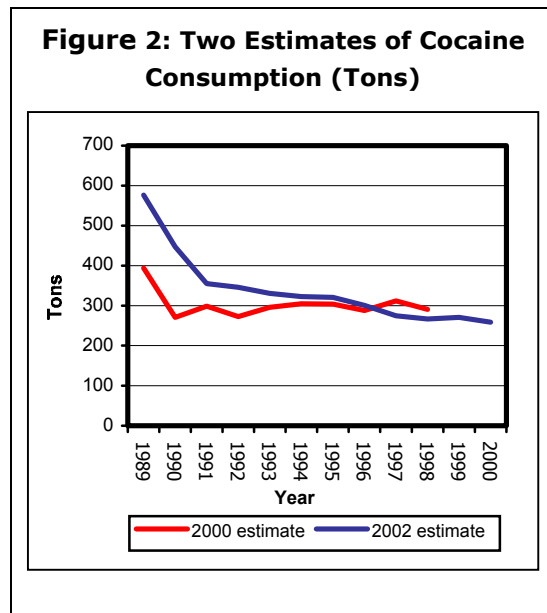
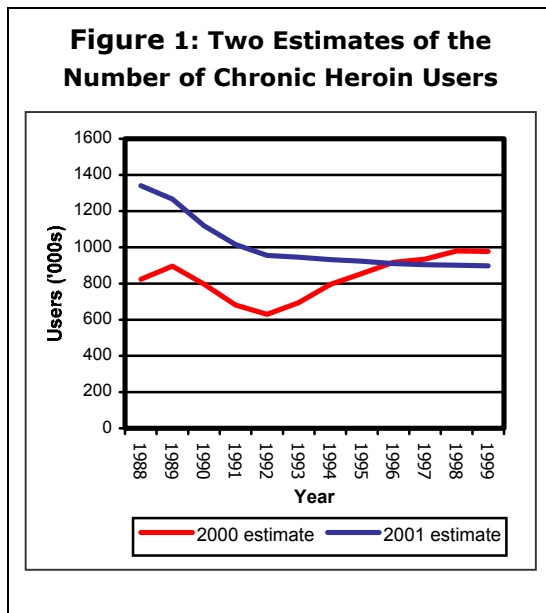
Are credible estimates possible? Earlier, Francisco Thoumi already pointed out that consumption and production data are the two main areas to look at to provide credible estimates. Transshipment is not estimable directly. Cross-examining the data could provide some indication of the actual volume of the industry. But the collection of these data faces many problems. The obstacles to statistical data collection are daunting. The illegal nature of the industry precludes direct measurement. Researchers have therefore to appeal to, and rely on, satellite photos, peasant interviews, journalistic reports, hospital overdose statistics, police records, and many other largely indirect measures and sources.

Reuter gave some examples. In the US various programmes exist to monitor demand, such as the National Survey on Drug Use and Health, covering 60,000 individuals and ADAM (Arrestee Drug Abuse Monitoring) on the basis of a 30,000 sample. The DEA collects data on purity and prices for STRIDE,¹⁵ a domestic programme to measure prices and purity for heroin on the basis of 10,000 seizures and purchases. However the data produced can only be described as shaky.

Two estimates made (under contract to ONDCP by the same research organization, Abt Associates) of the number of chronic heroin users in the US between 1988 and 2000 – one calculated in mid 2000 and the other at the end of 2001 – are radically different (see Figure 1), but the difference is due to methodological changes, not because the data are changing. The estimates for cocaine consumption made in 2000 and in 2002 register major differences for the same reason: Whereas the 2000 estimate calculated a US consumption figure of 400 tons consumed in 1989, the 2002 estimate was of 600 tons (see Figure 2).

As regards heroin, it is impossible to estimate consumption from supply data. In order to make estimates of expenditure in rich countries one has to go to users, but the data are difficult to obtain. Even if there were no problem in reaching

15. STRIDE: System to Retrieve Information from Drug Evidence. Nationwide, narcotics are repeatedly purchased to stay current with market prices. This data collection might not be a balanced sample of all US markets; it captures the relative pricing of different transaction quantities in a consistent manner. Examination of STRIDE data revealed large price variations even for a given quantity of narcotic in a given location and at a given period of time. Purchase purity at ounce and gram levels of the distribution system varies even more than price, ranging down to zero.



consumers, they can at best only report expenditures; they cannot report on quantity because they do not know what the drug they buy contains, or its purity. Even sellers do not know. There is likely to be a very wide purity range and this usually goes unobserved. STRIDE data show a huge range, even for single cities. For example, DEA published individual variations in heroin purity in Washington in a 10-block area in a two-week period in 1997. Prices ranged from 36 cents to 2 dollars per pure mg, and purity from 8.3–27 per cent.

Estimates of production quantities produced rely on fieldwork –sampling on the ground– and aerial surveys. The US had grossly underestimated the yield for Colombian cocaine so was forced significantly increase its original estimates in 2001.¹⁶ But geographical relocation of cultivation will also have an impact on yield. The instability in estimates is inevitable.

The data produced by the international agencies such as the UN for production – based on ground and satellite survey – are considered more reliable than their other data. But yield figures vary significantly. Martin Jelsma remarked that yield figures for opium range between 4 and 37 kilos per hectare. He also pointed out that there had been a serious discrepancy between a satellite survey of an area in Burma which Jelsma had recently visited, which had shown an opium growing cultivation of thousand's of hectares around one township, and a separately carried out land survey, which had shown none at all. There had been amazement on the part of the ground team who had done the survey.¹⁷ Given that aerial surveys are done on a sample and extrapolation basis, this was an alarming indicator of the possibilities for error, and the consequences.

16. See for instance: Drug Availability Estimates in the United States, Drug Availability Steering Committee, December 2002, NCJ 197107.

17. See: [Drugs and Conflict in Burma \(Myanmar\): Dilemmas for Policy Responses](#), TNI Drugs & Conflict, December 2003. For a more detailed study on the issue of production data, yields etc., see: Tom Blickman, [Measuring Progress: Global Supply of Illicit Drugs](#), TNI Drug Policy Briefing, April 2003.

Transshipment also raises difficult issues. For example, Tajikistan seizes much more heroin now than it did ten years ago. We would need to estimate how much Tajikistan seizes of what transits the country, and to have estimates for the quantities consumed in Russia. We do not know whether all the heroin consumed in Russia comes through Tajikistan; and an unknown share of the heroin imported into Russia is transhipped to other countries. To estimate the impact on the Tajik economy we would also need to know how much Tajikistan earns from trafficking and how much is consumed there. There must be Tajik citizens in Russia who remit to Tajikistan, but one would need to know what share of trafficking in Russia is in the hands of Tajiks, and what share is repatriated. The drugs trade probably accounts for at least a third and possibly up to a half of GDP in Tajikistan. These numbers undoubtedly have some policy importance.

It was agreed that data were not accurate enough to be used as a performance measure, but it was suggested that trends could be. Michael Levi suggested that performance indicators, even if imperfect and even if not directly usable by the DEA, could be useful for others to monitor control strategies. Declining purity for cocaine was in fact being claimed as performance success. Reuter felt that, with such large purity ranges as shown in a single city over a brief period, there could be no pattern for trends to be monitored. Purity could in theory be a performance measure, but it is so variable over time and place that creating a national average would be extremely problematic. With expenditure estimates ranging from \$35 - \$115 billion, it is impossible to pick up changes of 5-10 per cent.

Letizia Paoli pointed out that European purity data were not systematic either. In the US purity has been coming down for some years, but in Europe, the Albanians have occupied the heroin market that was formerly controlled by the Turks. Whereas the Turks brought in larger quantities of higher purity (in TIR trucks for example) the Albanians carry smaller quantities of lower purity. Importantly, these changes have nothing to do with law enforcement efforts, therefore cannot be linked to performance indicators.

In Europe estimates of heroin addiction had also dropped abruptly and then risen again. This was entirely due to variations in methodology. Chloé Carpentier remarked that the European Monitoring Centre on Drugs and Drug Addiction (EMCDDA) had tried in 1999 to estimate the total demand for heroin, not on the basis of expenditures but on frequency of use and quantity used. Many assumptions had to be made, for example concerning periods of abstinence. It was decided that it was not possible to publish the study because of the weakness of the data, nonetheless EMCDDA was often asked for such an estimate.

It was suggested that a long-term research programme would have to be set up to do this. Jelsma suggested that some recent cocaine availability studies could be a good model for well-written, transparently prepared analysis. A heroin availability study had been started, but it could not be continued because the production data were not capable of any comparison with the drug signature data. This showed that the amount of Colombian-produced heroin available in the US was

out of line with estimates of Colombian production. It is possible that heroin production is grossly underestimated in Colombia.¹⁸

The data were felt to be more important at an international level than the national, but countries need an aggregate figure to show how important the issue is, according to Paoli. There was a bureaucratic imperative to produce a number, but in the end the number itself was unimportant.

Guilhem Fabre remarked that prohibition should be understood as a social construction of scarcity. It was necessary to look at the available figures and to try to bridge the gap between quantitative and qualitative data. According to the International Chamber of Commerce in London, counterfeiting has accounted for 3-9 per cent of global trade since 1990. The software and music industry were prime examples. The cost of counterfeit goods is calculated on the basis of the retail market in the North for these goods. These have been depicted as criminal markets, but there is no market for Microsoft products at uniform US prices in SE Asia. The international system of retail pricing has artificially created scarcity by applying the price norm of northern countries. Now companies that were accused of counterfeiting some years ago produce HIV/AIDS drugs legally. The globalisation of intellectual property rights has been enshrined in international agreement. As far as illicit drugs are concerned, he felt that the scarcity in northern countries has been created by prohibition. This explains why 90 per cent of profits are made in northern countries.

In a comparison with other illegal markets, Reuter remarked that fraud estimate is the largest single US estimate (US\$ 500 billion ca. 2000), considerably higher than the illicit drug market. However the fraud estimate was at least as unsound as that for drug expenditures. The Association of Certified Fraud Examiners surveyed 10,000 members; less than 10 percent provided responses. Respondents were asked to estimate the percentage of revenues that will be lost in 2002 as a result of occupational fraud and abuse. The median figure was six percent; using an estimate for US GDP of \$10.4 trillion in 2002, this leads to an estimate of \$625 billion.

No effort was made to adjust for non-response or to ask whether respondents were in fact situated to make such estimates. Nor did the study consider whether Gross Domestic Product was the correct base for these calculations. If each examiner had estimated the share of the flow through the corporation, then the right base would have been much larger, namely the total volume of transactions through the corporations.

18. Jelsma was referring to the study [Estimation of Cocaine Availability 1996-2000](#), prepared for the Office of National Drug Control Policy Office of Planning and Budget, by Abt Associates, Inc., NCJ 192335, March 2002. Another useful study is [Drug Availability Estimates in the United States](#), Drug Availability Steering Committee, NCJ 197107, December 2002. An example of a failed attempt to conduct a heroin availability study like the one on cocaine is: [The Estimation of Heroin Availability: 1996-2000](#), prepared for the Office of National Drug Control Policy Office of Programs and Budget, by Abt Associates, Inc., Washington, NCJ 192336, March 2002.

Carolyn Nordstrom added that drugs did not automatically generate cash profits, but were frequently exchanged for diamonds, as in Sierra Leone or for a variety of other goods and services, not necessarily illicit. For example in Angola there was no demand for cocaine but a strong demand for antibiotics. These are global markets that interlink with drugs. A single rebel group could move goods for millions of dollars without any cash transactions. This was of prime importance for guerrillas and paramilitaries.

There has been an expansion of new economic and political formations that ignore national borders, according to Nordstrom. These power blocks follow their own logic of territorial development in the form of surrogate or shadow states that are difficult to gain access to. They provide some of the world's most politically unstable and marginal economic regions with arms, mercenaries, food, medicine and luxury commodities. These power blocks offer good opportunities for collaboration with rising political strongmen or warlords who desire unlimited power and profits. Economic power and political control go hand in hand. Entire regions such as Liberia and Sierra Leone or the Congo come to mind, but the situation in the slums of Rio de Janeiro that are dominated by drug gangs does not differ that much – although these are just areas of an otherwise more or less functioning state or even a city.

In search of criminal money flows

The International Monetary Fund (IMF) has stated that the aggregate size of money laundering in the world could be somewhere between two and five percent of the world's Gross Domestic Product. Using 1996 statistics, these percentages would indicate that money laundering ranged between US\$ 590 billion and US\$ 1.5 trillion.¹⁹ Nevertheless, the real basis of this claim is unclear.

Francisco Thoumi said he spent two days at IMF headquarters to no avail, trying to find someone who could explain the basis of the 2-5% of world GDP figure. Not only is there no real basis, but also since no one can really estimate the denominator, world GDP, the entire exercise is questionable. Petrus van Duynne suggested that any company that made annual accounts of that appalling level of accuracy would soon get a visit from the Serious Fraud Office.

The FATF was established in 1989 and has become increasingly aggressive in the measures to enforce harmonisation of anti-laundering strategies. What began as a peer-evaluative, consensus-building exercise has developed into a blacklisting regime. Compliance with money laundering laws and regulations have moved forward with incredible speed, but with what consequences we do not know. Nevertheless, the intensive anti-money laundering campaigns, multinational agreements and diverse political pressures to conform, harmonise and sanction have at best produced unreliable compliance.²⁰

19. [Money Laundering](#), FATF-OECD Policy Brief, July 1999.

20. Margaret E. Beare, [Investigating Transnational Organized Crime: Current Situation and Guidelines](#)

In his previous work on money laundering, Petrus van Duyne already noted that policy makers and international bodies dealing with the integrity of the financial system have issued serious warnings about the danger of the corrupting financial potential of organized crime. However, it remains unclear what the underlying assumptions of these worries are. How large is the criminal financial potential, what do criminals do with their money and how threatening are their economic activities in the various segments of the underworld? The threat has been posed, but substantive empirical questions have not been raised, let alone answered.²¹

No evidence has systematically been collected by policy makers and law enforcement agencies to substantiate the dangers of organised crime's corruptive influence on decision-making levels of society. Comparison with research or findings from regulatory bodies in other countries of Europe reveals a glaring lack of empirical data and of systematic/statistic overviews, contrasting strongly with the supposed seriousness of the phenomenon.

At the seminar, the overall picture with regard to criminal money flows and money laundering was that there is a near total vacuum of knowledge: little is known about money laundering methods, how much is invested and what impact this has. Despite a multitude of control bodies and regulations there is little empirical data, and the overall picture looks more like a façade of control. There is a very fractured level of knowledge about money laundering generally and about what factors determine preferred methods of laundering. The market seems very imperfect. Most drug money is expended at lower level distribution where there is less possibility for capital accumulation.

In his presentation, *Follow the Drug Money: The Evaporating Trail Through Fog and Snow*, Van Duyne explained the results of his examination of Dutch case files in search of criminal money flows. The sums seized were small, with the assets held in quite conventional forms – there was not the slightest evidence of great criminal empires attempting to stretch their control into and corrupt the legitimate economy. Criminals, he pointed out, mainly want to be left alone – they have no desire to share management responsibilities or power with upper-world types in grey suits.

Van Duyne explained that much drug money is expended at lower level distribution where there is less possibility for capital accumulation. It was necessary to look at areas of capital accumulation, since all else is 'handling'. He raised the issue of whether drug money becomes 'gentrified', that is, not used in any further crime, but by integrating it with legal funds in the establishment of new com-

[from the Palermo Convention](#), presentation at a UNICRI Symposium on Transnational Organized Crime, February 2002. The presentation includes some interesting remarks on the post 9/11 situation regarding global enforcement of organised crime and money laundering. See also her introduction in Margaret E. Beare (ed.), *Critical Reflections on Transnational Organized Crime, Money Laundering, and Corruption*, Toronto: University of Toronto Press, 2003.

21. See for instance his most recent work: P. van Duyne, [Money laundering policy: Fears and facts](#), in: P. van Duyne, K. von Lampe, J. Newell (eds.), [Criminal finances and organising crime in Europe](#), Nijmegen: Wolf Legal Publishers, 2003, 67-104.

panies. He introduced the 'heritage' concept, i.e. that money from drugs is sometimes not spent at all, but hoarded to be handed on as an inheritance.

There are many unanswered questions, such as how money from drugs is transferred – whether into production factors, real estate, high value assets or durable valuables which can be traded. It is possible that a proportion of cash assumed to be laundered is merely being hoarded. The question arises as to how 'threatening' floating money actually is. If it is moved to tax havens we do not know what happens to it thereafter. It may well flow into the capital market, helping to maintain liquidity and keep house prices low. In 150 cases studied in the Netherlands involving 500,000 euros or more, Van Duyne saw no evidence of criminal money returning from abroad, even in the form of interest.

One should reflect on which effects of the illicit drug economy may be considered positive and which negative. Capital flow back to the Riff region of Morocco from exports of hashish had led to extensive housing development, a massive inflation of land and house prices in a poor area, and had aggravated corruption. But where do revenues go in the industrialized countries? Many ethnic minorities, perhaps third or fourth generation immigrants, no longer send remittances, but we do not know where the assets of residents end up.

Van Duyne explained the estimates of assessed illicit profits by category of assumed income classes (Figure 3). The assessments did not refer to annual figures, but probably a period of around two years. The erosion of sums between police assessments and recovered amounts was striking: less than one per cent of the initial assessments were actually recovered.

Figure 3: Assessed illicit profits at the judicial levels, divided in three "income classes": 1993-1999								
Phase process	< 45,000		45,000 - 450,000		> 450,000		Total	
	Total	N	Total	N	Total	N	Total	N
Police	53.868.631	624	139.790.339	111	266.441.759	159	460.100.729	894
Prosecutor	44.589.722	5	111.791.718	907	216.917.853	117	373.299.293	1029
First court	21.226.220	301	27.227.659	468	46.385.987	73	94.839.866	842
Appeal court	No direct data base matching							
Recovery office	7.261.876	208	4.214.207	150	1.821.149	11	13.297.232	369
Recovered	2.211.624	127	1.138.385	88	107.574	3	3.457.583	218

Figure 4 shows assessed illicit profits after the criminals had been through all court levels. The erosion of sums was much smaller compared to the pre-trial assessments (13%). There appeared to be relatively little 'money laundering' as such, since most criminals simply exported currency.

Figure 4: Assessed illicit profits of defendants, all having gone through the three procedural levels, divided in three "income classes": 1993-1999

Phase process	< 45,000		45,000 - 450,000		> 450,000		Total	
	Total	N	Total	N	Total	N	Total	N
Police	8.156.647	1.082	7.663.870	76	6.052.632	3	21.873.149	1161
Prosecutor	8.033.638	1.082	7.450.921	76	6.052.632	3	21.537.192	1161
First court	3.837.327	1.082	2.213.216	76	271.369	3	6.321.912	1161
Appeal court	No direct data base matching							
Recovery office	3.681.356	1.082	1.929.215	76	271.369	3	5.881.940	1161
Recovered	1.820.309	1.082	963.333	76	107.574	3	2.891.216	1161

It was necessary to distinguish between different levels of criminal money management. In Italy, it could be argued that the prime minister had made laws to legitimate his own criminal activities. This could be seen as 'corruptive permeation'. In some respects this resembled the time when profits made from black market alcohol during the Prohibition period by the Kennedy family were 'gentrified' subsequently by integrating them with legal funds in the establishment of new companies. Gentrification of funds has happened more recently, with émigré Turks and Moroccans investing in hotels and restaurants in their home countries. This process can be considered a once-only infusion. Drug criminals do not invest more than is strictly necessary in their own criminal enterprises out of fear of asset seizure. They prefer to make capital provision for 'a rainy day'.

Van Duyne had also studied favourite areas of investment. After cash holdings, simple bank accounts were the most favoured destination for drug profits. Real estate is popular, as –unlike the management of stocks and shares– it requires no management skills. An important but under-researched area is credit in the form of criminal claims, when one criminal owes a sum to another over a period, for example during imprisonment when the sum cannot be paid back. Out of all the cases studied, professional launderers had featured in only two; otherwise the criminals had laundered their own funds. In conclusion, as a topic for further research he proposed the financial and economic techniques that criminals utilized at the time of conversion to the Euro.

During discussion of the presentation, Letizia Paoli pointed out that real estate was the most commonly seized asset of Italian criminals. In most cases there was not much evidence of sophisticated laundering techniques. Guilhem Fabre thought consumption was generally favoured over investment. Another important factor was how to buy impunity. It was a mistake to see everything in terms of globalisation, since although drug traffickers operate internationally they are mainly local. They must redistribute wealth. Some Latin American drug barons were extremely philanthropic and distributed their wealth in this way. However, Thoumi pointed out that drug profits in Colombia had led to a counter-reform in land distribution – concentrating increasingly more first class lands in fewer hands.

It was noted by Mike Levi that fees for laundering vary greatly, e.g. in the US the rate is around 20-30 per cent, whereas it is 1½ to 2 per cent in the UK. There was agreement over the absence of professional money launderers but a number of well-known cases from the 1980s and 1990s such as Operation Polar Cap and Green Ice were recalled. In Operation Polar Cap US undercover federal agents had set up a money laundering service for the Medellin cartel and there was such a demand for their services that they 'couldn't launder fast enough'.

This prompted the comment by Tom Blickman that nearly all the most prominent cases regularly cited were sting operations where law enforcement agencies provided financial services to criminals. Most of the money transfers in these cases were actually international payments for drug transactions, and not laundering in the proper sense of the term to disguise capital accumulation and investments.²² In fact, these undercover operations were facilitating complicated international criminal financial transactions; the benefit was in recording these transactions for evidence in prosecution. The distinction between laundering and simple payments is often blurred in reports on anti money-laundering operations, resulting in inflated numbers about the wealth and threat of 'transnational organised crime'.

The façade of money laundering control

Mike Levi's presentation began with the observation that money-laundering methods are only as good as the law requires them to be. In the first place one must establish what the law enables people to be asked about their wealth. Unaccounted wealth is, generally speaking, the business of tax authorities. Disparities appear and gap analysis is done. But great care is taken in many countries to distinguish tax authorities from crime authorities. One must ask how much effort is put into the system of money laundering control, and how much skill and resources go into it.

Many criminals just spend their money as they go along, like most of us. Only when they have more money than they wish to spend immediately do they have to move capital to some secure location. If you have nothing to recycle, then you have no need to launder the unspent proceeds. Since law enforcement strategies shifted to going after the proceeds of crime there is a need for laundering and legally secure places where others will not be able to get at either information or your actual money.

22. However, it is not clear what is exactly considered to be part of the money-laundering process. According to the FATF, "*money laundering is the processing of criminal proceeds to disguise their illegal origin*" in which proceeds are defined as generated profits. The issue is complicated because different countries use different definitions. Mike Levi mentioned that in the UK, proceeds can be all property relating to illegal activity, and as such can be seized as the proceeds of crime whether or not it refers to actual profits. The Council of Europe convention defines proceeds as anything that represents in whole or in part the 'economic advantage' from illicit activity. The most recent definition in the UN Convention against Transnational Organized Crime is quite expansive and could be interpreted as including nearly any illicit financial transaction. In that case, however, the distinction between laundering and the underlying crime ceases to exist. See on this issue: P. van Duyne, [Money laundering policy: Fears and facts](#), op. cit.

According to Levi, we only have a very fractured level of knowledge about money laundering generally and about what factors determine preferred methods of laundering. The market seems very imperfect. Much will depend upon how the money is generated. Corporate corruption scandals will use different methods to other forms of criminality. If it is assumed that drugs are largely paid for in cash, how do they get cash into the system? Placement is considered to be the most difficult stage, but we know very little of how this is done. Cash-intensive businesses and services are often cited.

Very little is known about where the funds exchanged in bureaux de change come from or where they go. Large amounts of cash clearly need a different approach, but there is a huge gap in the literature in this area. Possibilities include high cash spending (for example on a luxury cruise) or deposits in off shore centres. Criminals are not necessarily interested in political power, and tend to be so only in particular instances, such as in weak or failing micro states (e.g. Serbia) where criminally-acquired funds may be at risk unless protected by political power.

Making assumptions about behavioural models can be problematic: one British drug trafficker had an equitation centre that was assumed to be a cover for laundering money. In fact it proved to be a loss-making hobby. Another British drug trafficker who had emigrated to the Netherlands had purchased a mediocre football club without any obvious motivation.

With the introduction of civil forfeiture legislation in the UK one would have expected that money-laundering costs would rise, but this has not been the case. Basic questions remain unanswered such as: Why has more money not been found? How do people get large amounts of cash into the system? What can they buy with large amounts of cash and how easily? If we divide the proceeds of crime into cash and non-cash, where does cash go to en route and where does it end up? What threat is it? To whom? Does it result in harm or in undisclosed benefits? If one assumes that for every one billion dollars of cash confiscated there must be at least 50 billion being laundered, then the sums are considerable.

In the discussion that followed, Peter Reuter suggested that the share of drug revenues to be laundered was modest in most countries, though the sum seems large when seen in overall revenues. However, probably only a very small minority are capital accumulators. According to Thoumi, the biggest concentration of profits seems to occur at the wholesale distribution level. In the northern countries the quantity may amount to 1.5 per cent, at most 5 per cent. It was pointed out by Fabre that in recent years, Mexico, Brazil, India and China have all become major drug consumer countries, whereas formerly they were primarily transit countries. On the one side there is wealth creation, on the other, institutional destruction as pointed out in the previous sessions. Profits tend to be used for speculative investment and consumption.

The issue of cash entry was raised by Nikos Passas and of how some big time politicians such as Mobutu, Suharto and others moved funds into the banking sys-

tem. Some economies such as Japan are still cash-based. The gold market in Dubai runs on cash, as does the diamond business in Israel. The Italian and Corsican mafias have had links with casinos and slot machine businesses in southern France as well as investments in real estate. Other sectors used by launderers now are commodity futures trading and hedge funds. Cash can also be used as collateral in loan back schemes. The new private international banking regulations –the Wolfsberg principles²³– should make laundering at high level much more difficult from now on, assuming of course that they are not simply rhetoric.

Francisco Thoumi suggested that one should differentiate between developed and less developed countries. In many developing countries there is a conscious striving for status, social mobility and also for political power. Capital flight is an important factor in countries such as Colombia where the black market dollar is priced below the official one. (Although FATF, it was pointed out, has never bothered about capital flight because it is not illegal.) Members of the Colombian elite are used to taking cash to Panama and elsewhere. Laundering methods would necessarily differ in production, transit and consumption countries, and it was helpful to relate this to GDP.

From a confessed non-expert in the field of money laundering, there was amazement at the vacuum of knowledge on the phenomenon at institutional levels amongst those acknowledged to be experts in the field – to the point at which they were not even sure whether money laundering takes place at all!

In Passas' view it was necessary first to separate solid information from speculation and to set the record straight about what was known. Second, he pointed out that the technology does exist to put some data together. Customs have many different types of data coming in from different sources and software programmes to analyse them. Patterns can be observed, and anomalies may emerge. Customs also receive intelligence.

The potential exists for a much firmer analysis, and this capacity could be used for proactive investigations and for analysis, but certain bureaucracies and their representatives are against the use of such programmes or the involvement of outside analysts for fear that prior mistakes, inadequacies or neglect would be revealed. Political interests are at stake because there are corporate implications for trade. Brokers, who also play an important role in trade diversion, make money and have influence.

23. The [Wolfsberg Group](#) is an association of twelve global banks, which aims to develop financial services industry standards, and related products, for Know Your Customer, Anti-Money Laundering and Counter Terrorist Financing policies. The Group came together in 2000, at the Château Wolfsberg in Switzerland to draft anti-money laundering guidelines for Private Banking. The Wolfsberg Anti-Money Laundering Principles for Private Banking were subsequently published in October 2000 (and revised in May 2002). The Group published a Statement on the Financing of Terrorism in January 2002, and also released the Wolfsberg Anti-Money Laundering Principles for Correspondent Banking in November 2002. The Wolfsberg Group's most recent Statement, on Monitoring Screening and Searching, was published in September 2003.

The handling of drug money may be similar to fraud in some respects, according to Passas. With limited oversight of trade and commercial transactions going through Hong Kong, many of them are virtual rather than real. Third parties from many parts of the world engage in various deals, which are settled through accounts maintained in Hong Kong. In other words, many payments are supposed to be settlements for trade with Hong-Kong based partners, when in reality the latter simply allow the use for the bank accounts for hawala²⁴ and commercial deals of others.

It was agreed that the authorities had taken the process of setting up money laundering controls quite seriously, but had not taken the time to understand the causes. An impressive set of instruments –which varies between jurisdictions– has been set up to regulate and control financial transactions: comprehensive monitoring of cash and non-cash transfers, customer identification, record keeping, and the reporting of suspicious transactions. There are mechanisms such as exchange of information between administrative, regulatory, law enforcement, and judicial authorities to centralised financial intelligence units, including cross border information exchanges between those bodies. There are feasible measures to detect and monitor cash movements and to enable the identification, tracing, seizing, and freezing of assets and substitute assets. Bank secrecy is increasingly being limited, while the possibility of requiring a reversal of the burden of the proof for asset confiscation purposes has been enhanced.

However, taking the example of Suspicious Transaction Reports (STR), it has been noted that they are often of no proven use and simply pile up unexamined. In such reports there is ample room for stereotype and prejudice, according to Mike Levi, referring to his analysis of British experience with STRs.²⁵ They have had very little use in exposing crime. What are the correct performance indicators for reporting suspicious transactions and investigation of them? These are very important questions that have not been tackled anywhere, according to Levi.

The suspicion-reporting system has produced *more*, but not necessarily *better* cases. Ineffective regulatory obligations in money laundering control are more often the rule than the exception, prompting the comment that the impressive set of instruments amounts to not much more than a façade of control. Nonetheless,

24. The word 'hawala' simply means 'transfer' in Arabic. Hawala is an alternative or parallel remittance system. It exists and operates outside of, or parallel to 'traditional' banking or financial channels. It was developed in India, before the introduction of western banking practices, and is currently a major remittance system used around the world. It is but one of several such systems; another well known example is the 'chop', 'chit' or 'flying money' system indigenous to China, and also, used around the world. These systems are often referred to as 'underground banking'; this term is not always correct, as they often operate in the open with complete legitimacy, and these services are often heavily and effectively advertised. See: Nikos Passas, [Informal Value Transfer Systems and Criminal Organizations: a Study into So-Called Underground Banking Networks](#), The Hague: Research and Documentation Centre of the Ministry of Justice (WODC), 1999; Nikos Passas, [Hawala and Other Informal Value Transfer Systems: How to Regulate Them?](#), Washington: US State Department web-site, 2003; S. Maimbo & N. Passas, *The Regulation and Supervision of Informal Remittance Systems*, in *Small Enterprise Development*, 15(1), 2004, p. 53-62.

25. Michael Gold and Michael Levi, *Money-Laundering in the UK: An Appraisal of Suspicion-Based Reporting*, Prepared for the Police Foundation and the University of Wales College of Cardiff. Published by the Police Foundation, 1994.

they might be useful for prosecution purposes after ordinary police investigations have uncovered a criminal operation and provide a more thorough audit trail once an investigation is underway.

Van Duyne remarked that there were adequate laws prior to the creation of the money-laundering offence that could be used for the same purposes – particularly laws governing inducement and handling of stolen goods. In his opinion it was quite easy to apply those existing categories even to those who only handle the proceeds. It is often difficult to link money to an underlying predicate offence, something that is required for a money laundering offence. Francisco Thoumi suggested that if one understood the structure of illegal drug industry better, this would aid the understanding of money laundering.

In conclusion, it is not known if or to what extent drug money becomes 'gentry-fied', that is, not used in any further crime, but integrated with legal funds in the establishment of new economic activities. Nor is it known what impact that might have on the legitimate economy. Drug criminals do not invest more than is strictly necessary in their own criminal enterprises out of fear of asset seizure. Real estate is popular, as, unlike the management of stocks and shares, it requires no management skills. The share of drug revenues laundered was modest in most countries, though the sum seems large when seen in overall revenues. However, probably only a very small minority are capital accumulators.

The drugs-crime-terror nexus revised

Since the 9/11 terrorist attacks, drug trafficking and transnational organised crime have been increasingly associated with political terrorism and merged into an underground 'axis of evil', or major international security threat. Just after the dramatic events the Security Council of the United Nations adopted a wide-ranging anti-terrorism resolution and noted "*with concern the close connection between international terrorism and traditional organized crime.*" Nevertheless, it is still unclear precisely what the close connection consists of.

Despite the emphasis on the connection between organised crime and terrorism, there are fundamental differences. Organised crime and terrorism have different goals and characteristics. Organised crime's business is business and profit. The less attention there is on their lucrative enterprises the better they run. The goal of terrorists is exactly the opposite: they aim to give a wide-ranging public profile to their demands. To career criminals, the conduct of politically motivated terrorists is unintelligible. Why draw attention to yourself while there is no financial gain? On the other hand, politically motivated terrorists are not keen on collaborating with criminals; they risk losing political credibility.²⁶ Nevertheless, with regard to the means to achieve their distinct goals the two might converge into op-

26. Frank Bovenkerk & Bashir Abou Chakra, 'Terrorism and Organized Crime', paper presented at the National Europe Centre on 10 November 2003.

portunistic tactical alliances: both are after the money to finance their goals – although for a career criminal it often ends there.

One of the consequences of the increasing merger of organised crime and terrorism has been to increase the global control of financial transactions. For instance, the perceived danger of 'narco-terrorism' has led to a transformation in global anti-money laundering control. Thus far, money laundering was understood to be about the cleansing of dirty money. Suspicions that the terrorist attacks that the 9/11 attacks had been financed by legitimate sources (through charities for instance), that clean money had been made dirty, implied that financial surveillance should no longer be restricted to dirty money. All transactions could be considered suspicious.²⁷

At the seminar, Nikos Passas introduced his presentation *Drug Trafficking and the Financing of Terrorism*, with a consideration of the links between drugs and terrorism. The drugs-terror nexus had been hyped, but there were theoretical reasons to expect links to exist, though with certain constraints. In the past, state sponsorship gave some predictability to terrorism. Its methods were understood. The independence of terror groups in the post cold war world has created uncertainty and spontaneity and this is unsettling. The loss of territory where militant groups could recruit, train and be provided with cover has been followed by 'state-free militancy'.

There is a commonality in financial needs for both drug traffickers and terrorists – a need for infrastructure, which can then be used for other illicit activities. The interface between insurgency and criminal enterprises is empirically present, as is the interface between counterinsurgency and counter terrorism. Both terrorist and drug producing or trafficking groups respond to a demand – the demand for drugs in the one case, and in the other, as a means of addressing grievances, anger etc. But the groups are not united around any common policies or desire for changed policies. There may be a common enemy but any alliance is probably temporary. This is likely to be the case in Iraq with any alliance between Al Qaeda and Iraqis resisting the coalition occupation.

Drug traffickers and terrorists need money for operations, arms, and welfare for their own people, but money is a means to different ends. Because political aims vary widely, policy responses must do likewise. Alliances between drug traffickers and militants will be temporary because organised criminals like a well-functioning state – they need to know whom to bribe, for example. If the terrorists' new order is established their differences with drug traffickers and other criminal entrepreneurs would become obvious. A new government would not tolerate competition for power on the part of drug traffickers. A drugs state is not a viable option, and religious, ideological and cultural differences will inevitably surface.

27. James Sheptycki, 'Global law enforcement as a protection racket', in Adam Edwards & Peter Gill, *Transnational Organised Crime: Perspectives on global security*, London: Routledge 2003.

Once power changes, militants may no longer be seeking illicit financing but the demand for drugs will not disappear.

Which is worse: drug trafficking or terrorism? In terms of policy responses this poses a problem. In regions where these two groups coexist and cooperate, the elimination of one often means cooperating with the other. In the next decade, a power struggle between the major drug trafficking networks and terrorist organisations might occur as more groups attempt to enter the drug trade. This will cause further political, economic and social upheaval in already destabilized regions, especially in Central Asia, the former states in Russia (CIS), and in Latin America. An exploration of cultural restraints is necessary. There has been recognition in Afghanistan that an approach that is too aggressive will not resolve the drugs problem. Drug traffickers and warlords now operate a kind of status quo in Afghanistan. Drug traffickers want stability – the cost of doing business in conditions of anarchy are very much higher.

Although al Qaeda did receive money from the trafficking of drugs out of Afghanistan they did not, and do not control the drug trade. It received most of the drug money indirectly through the Taleban and not by direct involvement in the manufacturing or trafficking of opium. With regard to Al Qaeda, there is much debate over whether or not an international command and control structure exists. It may be that the unpopular policies of the US and its allies are being used to fuel local grievances – militants may be 'piggybacking' on US global unpopularity. Some believe that Al Qaeda no longer poses a threat, and that now the 'post Al Qaeda offshoots' are the principal concern.

This raises important issues. If terrorists are not 'global' they are less in need of global money transfers, since they are probably funded locally. This might include robbery and kidnap for ransom. Were they seeking weapons of mass destruction (WMD) on the other hand, then they would require large funding. In such cases trade diversions and similar fund-raising and fund transfer mechanisms should be studied. For example the trade in pharmaceuticals can hide illicit flows. If we are looking for WMD-related transfer/financing, hawala flows might not be the place to look.

Drug trafficking is an ideal way to raise large amounts of funds, while maintaining relative autonomy. Drugs are compact to transport and durable to store, with high intrinsic value. By taxing all aspects of the drug trade –cultivation, processing and trafficking– terrorist organisations can raise large amounts of money with little effort. The many different areas of specialty available within the drug trade make it more open to a variety of groups to be able to operate and make a profit.

Different forms of taxation have been applied to the drugs trade:

- Under the Taleban tax system: opium harvests were taxed at around 12 per cent. Heroin manufacturing labs were taxed at US\$ 70 per kilo of heroin, while at the final stage, the Taleban gave transporters a permit for US\$ 250 per kilo

of heroin to carry for presentation to Taleban checkpoints throughout the country, and on borders.

- As practiced by FARC in Colombia: this consists of US\$ 20 for each kilo of base crystal produced; US\$ 30 for each kilo of crystal, and US\$ 2,500 for each use of a landing strip.
- As a form of protection, as practiced by Sendero Luminoso in Peru.

Criminal enterprises involved in drugs may be disguised as a politically motivated group. This may have occurred with some of the Contras (Central America), with some warlords of the Northern Alliance, and also the 17th of November (Greece) or Kosovo Liberation Army (KLA) groups. There can also be competition or partnership in drug crime between members of militant groups, or alternately, occasional participation in drug trafficking by militants without the knowledge of leaders.

In the ensuing discussion most felt that organised crime and terrorism were distinct phenomena that should not be confused. Fabre pointed out that militancy in many parts of Asia originates in Saudi Arabia. The financing of terrorism had hitherto been considered as 'white' or clean money financing crime, not the proceeds of crime and drug trafficking. Prior to 9/11, Saudi Arabia was financing the Taleban, while the Al Qaeda attacks, he commented, were not financed by drugs, but by white money – Saudi oil money. Once 'white' money has been cut off, there is a need to finance it by black activity.

Francisco Thoumi felt that financing was not particularly important, as sums were not large. The funding for 9/11 had come from legitimate bank accounts and credit cards. Aggressive short-term policies, such as those applied since 9/11, may achieve short-term results but they are likely to compound the long-term problem. There were no proven links between bin Laden and drug trafficking, despite popular beliefs to the contrary. It was suggested that Muslim law was so categorically against drugs that Bin Laden would not wish to risk his Muslim credibility and high profile when he had other sources of funds.

Immediate, medium and long-term responses were all necessary, according to Passas, but drying up the financial assets of terrorists could certainly not be seen as a panacea. It was agreed that it was necessary to address the 'demand side' of terrorism and the terrorist mind set, and that to understand actions one must understand actors. Governments felt the need to designate an enemy for policy purposes.

Economic factors such as supply and demand could be used when describing the frustrations that lead to terrorism, but these should not be mixed up with political approaches to tackling them. It was argued that government policies drive recruitment to terrorism, whether it is the government of the home nation, the US government or some other. This could also be true of drug prohibition. Demand is created by what states do.

Martin Jelsma felt the issue of the drugs-crime-terror nexus had been forced on to the agenda because of the importance given to it at policy level, at the expense of the drugs-health-development relation. UNODC has extended its crime focus and sees the drugs-crime-terror link as a new construct. This has happened without a process of clarification. All one can say is that many terrorist actions are taking place, some of which are financed by illegal sources, of which a part derives from drugs.

An alternative approach, according to Jelsma, is to look at armed conflict and see how this interacts with the legal and the illegal economy; to look at what the fueling effects on conflict are. One must look at how the illegal economy and conflicts interrelate on a micro level in order to de-escalate both conflict and the level of the illegal economy. The only way to change the dynamics and profits of a market is to regulate it: this would be one way of diminishing the pool of dirty money that can be used for adverse purposes. Jelsma stressed the need for a 'harm reduction' approach in this area.

Conclusions and directions and prospects for future research

The discussion centred on setting a future research agenda. Some felt policies were precisely what caused problems, thus it was necessary first to evaluate these. If policies were studied, for example, the key policy link between terrorism and drug trafficking in Colombia would be extradition.

Others felt that it was necessary to ask more concrete questions, linked to concrete products. One could look at the funding of specific organisations, setting aside the problematic definition of terrorism. Nikos Passas proposed to look at the social construct of terrorist links as evidenced through various court trials, and at links with for-profit organisations of all types. Trials are producing material in many countries but the information is widely scattered geographically.

The aim would be to go beyond investigative work and look for interlinkages between, for example, different aspects such as financing, logistics, modus operandi, the link with drugs, how organisations co-operate and so on. The problem with this approach might be that one would risk looking at all this from a position of unchanging dynamics. Work of this nature would have to be considered not as a project but as programme for research.

In the absence of quantitative data, research should concentrate more on qualitative information. Mike Levi proposed to explore connectivities with the concept of substitution, by looking at the substitutability of controls. In other words, whether terrorists could get by without drug trafficking. One could also look at the 'axes of control' over phenomena, whether in the financial world or in the trafficking chain itself. One needs a plausible link model: policy makers need to see links in a system.

Passas suggested looking at the impact of counter terrorism policies, not only on crime but also on other issues such as immigration. The legal foundation for measures such as profiling fall into this category. Executive decisions, such as the placing of persons or organisations on a list of suspects, have put the US out on a limb legally. Once this occurs a person/organisation may find their reputation gone and have their assets frozen until charges are made or dropped. These are issues of direct, immediate concern to policy makers. Anti-terrorist efforts may be undermined if collaboration is withheld out of fear of the problems that may follow. Researchers and scholars from Middle East are now reluctant to come to the US because of the humiliating immigration checks.

Martin Jelsma suggested engaging at case study or micro level to throw light on the alleged links of terrorist organisations with the illegal drug industry. There was also an urgent need for a paper to illustrate the state of knowledge –or rather, the lack of it– about money laundering that would challenge and comment on the existing literature.

Despite the difficulties of obtaining hard facts and figures, Francisco Thoumi felt it was necessary to improve levels of illegal market analysis in order to measure policy effectiveness. One could look at a number of critical 'moments' when major shifts have occurred and analyse them in order to see what the influence had been from policy interventions, from market forces and what resulted from interventions by producers or traffickers.

As an example, Thoumi proposed studying the coca crash in Peru, which had been attributed to successful aerial eradication. The increase in Colombian cocaine production had generally been assumed to be the result of the decline in Peruvian production, while in fact the expansion in Colombia preceded the decline in Peru. One should monitor expected market developments as a result of crop spraying, such as displacement. A similar approach with heroin could yield fascinating results, since it is an even more volatile market than cocaine. There has been no study of how opium poppy cultivation developed so rapidly in Colombia from 2,000 to 20,000 hectares. Another focus could be the likely consequences in Burma of the future decline of opium in Shan State, or the effects of the Taleban ban on poppy cultivation in Afghanistan.

Such studies would help to understand the market forces at play and to define the margins of policy impact. They would draw attention to market developments that would enhance propitiousness of policy intervention. According to Thoumi, one should also study why the social and economic impact of drugs is so different in different countries. Peter Reuter proposed, as a counterpart to this, to study why there are such different patterns of drug consumption across different nations; also to look at social-protective factors. Vulnerability to organised crime is a by-product of this.

In the field of money laundering, no real review of asset seizure legislation has yet been done. Questions to be answered include why money-laundering fees

vary so much between countries, and what factors determine launderers' preferences. Mike Levi proposed to look at what nearly 15 years of anti-money-laundering controls had achieved in terms of building a global enforcement regime. To do this it would be necessary to look at the international governance of the control system. We do not know what the impact of these mechanisms is on actual behaviour. We may know about the effects on particular criminal organisations but not about the effects on markets or networks.

Money laundering controls clearly have an impact on that part of the distribution system that deals in modest mark-ups. But it is not possible to demonstrate this, and controls have certainly not had the 'mega effect' that was predicted. Empirical evidence about the differences controls have made could be obtained from money launderers themselves. Qualitative research is probably the best that can be done.

The question was raised of how research is actually translated into policy. According to Peter Reuter, US drug policy is impervious to research partly because a) there is not much research and b) it isn't much good. But the real answer is that drugs are a policy area with very strong moral overtones. In other words 'when you're on a crusade you don't need a map'. Asked about lessons learned from the 'war on drugs' for the 'war on terrorism', Reuter said that drugs were primarily a law enforcement issue with a reasonably small national security threat, whereas terrorism was the reverse. There is no set of lessons from the 'war on drugs' that can be used straightforwardly to shape policy against the new threat.²⁸ Drug research is therefore not necessarily a good basis on which to forecast for terrorism research.

Participants were asked to give examples of their own research that they felt had had an impact on policy. Letizia Paoli suggested it was easier to do research when the subject or problem not well crystallized. Her research on Russian drug markets had been carefully studied and acted on. Levi mentioned three studies he had undertaken which had had an impact on policy: a credit card fraud prevention study that had looked at operational practices and proposed practical interventions. Another study looked at why serious fraud cases were failing. The widely expected result –that juries were not competent to deal with the complexities of these cases– was not supported by his study, and thus the law was not changed to reflect an invalid assumption. He had done a study of RICO legislation with a view to changes in the UK law, and concluded that without admission of wiretap evidence there would not be much improvement on the results of cases.

Peter Reuter had prepared a study for Rand in 1988 on the likely impact of increased interdiction efforts on the part of the military. It was published at a time when Congress was considering expanding military involvement in drug interdic-

28. Jonathan P. Caulkins, Mark A.R. Kleiman, and Peter Reuter, [Lessons of the 'War' on Drugs for the 'War' on Terrorism](#), in Howitt and Pangi (eds.), *Countering Terrorism: Dimensions of Preparedness* Cambridge, MIT Press, 2003

tion, but the report was negative about likely results. Existing scepticism in Congress was heavily influenced by the study, and over a ten-year period the share of interdiction efforts undertaken by the military fell sharply. Thoumi felt his research on why drugs are produced in Colombia did not have had a direct impact on policy, but it had been a major focal point for discussion and dialogue.

To be taken seriously a research project depends on a set of recommendations and the offer of choice between options. Topicality and practicality are important considerations, as well as any implications for the international legal framework. The person putting forward the proposal is important, but a consortium often has a better chance than an individual researcher. Credibility and good connections with a particular agency or institution, or with policy-making bodies, are useful.

The balance between macro and micro studies was discussed. Both were deemed necessary. It was suggested that TNI might carry out micro studies within a framework of a macro study, thus enabling it to challenge policy paradigms in a more convincing manner. TNI's role is as an intermediary between the research community and policy makers. It could help to demystify paradigms and the myths around money laundering, mishandled data, and assumptions concerning the financing of terrorism.

In conclusion, the seminar had illustrated the widespread recourse to inflated figures, doubtful evaluation processes and the institutional need for numbers. The most that can probably be said is that the economic impact of the illicit drugs industry seems to be relatively minor in consumer countries, but that it has more political and economic impact in less developed economies with weak institutions. This is also where trafficking organisations have more impact. With regard to money laundering, there is a near total vacuum of knowledge: we know little about money laundering methods, how much is invested and what impact this has. Despite a multitude of control bodies there is little empirical data, and the overall picture looks more like a façade of control. Clearly, a better research agenda is needed.

Participants

Francisco Thoumi is an economist with a remarkably diverse career as an academic in both the US and Colombia and as an analyst for various international financial agencies including the Inter-American Development Bank and the World Bank. He has been a consultant and advisor to UN agencies and US government departments. He was the Research Coordinator of the Global Programme Against Money-Laundering of the United Nations Office Drug Control and Crime Prevention, where he was supposed to edit the latest World Drug Report, but resigned because of differences with the executive director on the content of the report. His publications deal with international finance and macro economic stabilization policy in the context of the threat posed by large-scale international financial crime and drug trafficking. Latest major publication: *Illegal Drugs, Economy and Society in the Andes* (Johns Hopkins University Press, 2003).

Peter Reuter is an economist and currently works as Professor in the School of Public Affairs and the Department of Criminology at the University of Maryland. He founded and directed RAND's Drug Policy Research Center from 1989-1993. His early research focused on the organisation of illegal markets, and he has earned a reputation with his critical and sound analysis of the size of the illegal drugs industry. Most of his research has dealt with alternative approaches to controlling drug problems, both in the US and Western Europe. Current research includes the effects of cannabis depenalisation and modelling the impact of Afghanistan opiate exports reductions. He has served as a consultant to numerous US government agencies, including the General Accounting Office (GAO), ONDCP and the National Institute of Justice (NIJ), as well as the UNDCP. Latest major publication: with Robert MacCoun, *Drug War Heresies: Learning from Other Places, Times and Vices* (Cambridge University Press, 2001)

Petrus van Duyne is a psychologist, criminologist and lawyer. His long career in both academia and the Netherlands Justice Department has involved him in empirical psychological research on decision-making by public prosecutors and judges, investigation into fraud and money laundering, and evaluation of anti-fraud and anti-money laundering policies. He has written numerous books, reports and articles on organised crime, fraud, corruption and money laundering. Currently he is senior advisor to the Dutch Criminal Intelligence Service, advisor to the European Union on corruption and organised crime in Eastern Europe, and professor of Penal Science at the Catholic University of Tilburg. His latest publications are: *Greasing the Organisation of Crime in Europe* and *Money-laundering: Fears and Facts*, in the book *Criminal Finances and Organising Crime in Europe* (Nijmegen: Wolf Legal Publishers, 2003) of which he was one of the editors.

Michael Levi is a sociologist and criminologist and is currently Professor of Criminology at Cardiff University. His specialist interests include cross-border policing, violent crime, and drugs and alcohol abuse, white-collar and organised crime. In 1997, he was appointed as Scientific Expert on organised crime to the Council of Europe. He has been consultant to the UNDCP and the EC. He served as a member of the UK Treasury's group of money-laundering experts and of the Cabinet Office Performance and Innovation Unit's Steering Committee on the Pursuit and Confiscation of the Proceeds of Crime. His major publications deal with fraud, corruption, money laundering and organised crime. He co-authored the report *Financial Havens, Banking Secrecy and Money Laundering*, for the UNODCCP. He is currently working a new book *White Collar Crime and Its Victims: The Social and Media Construction of Business Fraud*, with Andrew Pithouse.

Nikos Passas is a lawyer and criminologist. He is currently Professor of Criminal Justice at Northeastern University in Boston. He has been consultant to private companies and government agencies in various countries, the World Bank, the United Nations. He has dealt with issues as varied as money laundering, white-collar crime, cross-border crimes, underground banking, EC subsidy fraud and fraud by religious institutions. He has published numerous books, articles and officially sponsored reports. He is the author of *Informal Value Transfer Systems and Criminal Organizations: A Study into So-called Underground Banking Networks* (1999). Since September 11, 2001, he has been conducting research into terrorist funding sources, trade diversion, hawala and other informal value transfer systems for the Financial Crimes Enforcement Network (FinCEN, US Dept. of Treasury) and the National Institute of Justice.

Tom Blickman is co-ordinating the Crime & Globalisation of the Transnational Institute (TNI) in Amsterdam, and working on international drug control policies, drug trafficking and transnational organised crime. He recently coordinated the Amsterdam research team for the study *Synthetic Drugs Trafficking in Three European Cities: Major Trends and Involvement of Organised Crime* (Gruppo Abele: Turin, 2003).

Chloé Carpentier is a socio-demographer. She was project manager/principal author of the two first national reports on *Drugs and Drug Addictions: Indicators and Trends* published in 1995 and 1996 by the Observatoire Français des Drogues et Toxicomanies, Paris. She currently works at the Programme on Drug Situation of the European Monitoring Centre on Drugs and Drug Addiction (EMCDDA) in Lisbon, where she manages several projects involving conceptualising indicators and collecting and analysing EU data related to issues such as drug-related crime, drug supply, and availability of drugs at users' level.

Guilhem Fabre is a sinologist and socio-economist. He is Professor of International Affairs at Le Havre University (France), a Senior Research Associate, Ecole des Hautes Etudes en Sciences Sociales (EHESS) and member of Institut universitaire de France. He was co-director of the UNESCO and UNODCCP Joint Program on the International Drug Problem. His latest publication is: *Criminal Prosperity: Drug Trafficking, Money Laundering and Financial Crisis after the Cold War* (Routledge Curzon, London and New York, 2003).

Alison Jamieson is an independent consultant and author on issues of political violence, organised crime and drugs. In 1995–1996 she was consultant to the UN International Drug Control Programme and was project manager/principal author of UNDCP's 1997 World Drug Report. Her publications include: *Terrorism and Drug Trafficking in Europe in the 1990s* (Dartmouth, 1994); *The Antimafia. Italy's Fight against Organised Crime* (New York: St. Martin's Press, 2000).

Martin Jelsma is a political scientist. He is a fellow of the Transnational Institute (TNI) at which he is the co-ordinator of the Drugs & Democracy programme that works on drugs and conflict issues, alternative development and international drug control policies, specifically at the UN level. His latest work is mainly on the functioning of the UN system of drug control and possibilities for reform. Currently he is organising policy dialogues to build a like-minded coalition for drug control reform. Latest publications: *Drugs in the UN System: the Unwritten History of the 1998 United Nations General Assembly Special Session on Drugs*, International Journal of Drug Policy, April 2003; *Cracks in the Vienna Consensus: The UN Drug Control Debate*, in Drug War Monitor, Washington Office on Latin America (WOLA): January 2004.

Monica Massari currently works as an independent researcher for a number of non-governmental and research organisations involved in the study of organised crime and criminal markets on the international level. She was an Associate Expert at the United Nations Centre for International Crime Prevention where she worked in the Global Programme against Transnational Organised Crime. She co-authored the book *Globalizzazione e criminalità* (Roma-Bari: Laterza, 2003), and was managing editor of the research report *Synthetic Drugs Trafficking in Three European Cities: Major Trends and Involvement of Organized Crime* (Turin: Gruppo Abele, 2003), and *The Illegal Trafficking in Hazardous Waste in Italy and Spain* (Rome: 2003).

Carolyn Nordstrom is an anthropologist. She currently works at the Department of Anthropology at the University of Notre Dame. She has undertaken extensive field research on the frontlines of wars in many regions around the world, including southern Africa, South-east Asia, and central Europe. Her current research examines post-war transformation, including its relationship to organised crime and extra-state patterns of development, and post-war reconstruction in southern Africa. She currently has two books in production: *Shadow Powers: the Legal, the Illicit, and the Invisible* (University of California Press, Public Anthropology Series); and *Global Illicit Economies: the Fact of Power and the Illusion of Security*.

Letizia Paoli is a social and political scientist. She currently works at the Department of Criminology of the Max Planck Institute for Foreign and International Criminal Law in Freiburg (Germany). She has been a consultant for the Italian Ministry of the Interior, the

Direzione Investigativa Antimafia (DIA), UNODC and UNICRI. Recent work includes the illegal drug trade in Russia, and the local drug markets in Frankfurt and Milan. Latest major publication: *Mafia Brotherhoods: Organized Crime, Italian Style* (New York: Oxford University Press, 2003)

Damián Zaitch is an assistant professor and researcher at the Department of Criminology, Erasmus University Rotterdam in the Netherlands. He earned his PhD with an ethnographic research study on Colombians involved in the cocaine trade in the Netherlands, *Trafficking Cocaine: Colombian Drug Entrepreneurs in the Netherlands* (The Hague: Kluwer Law International, 2002), and recently finished a research project on cocaine smuggling through the port of Rotterdam: *From Cali to Rotterdam and back. Practices and perceptions of Colombian cocaine traffickers on the Dutch port* (Crime, Law & Social Change, Vol 38, 2002).

TNI Crime & Globalisation Project

The Crime & Globalisation project will look at the impact of the activities of criminal networks on the global economic system, particularly the international financial system, and at links between the consequences of the "migration into illegality", good governance, failed states, civil conflicts. This will also include looking at the nature and impact of international and multilateral policy initiatives in this regard, with particular reference to, inter alia, the United Nations Office of Drugs and Crime (UNODC); the Financial Action Task Force (FATF) on Money Laundering initiated by G8 governments, and the recent developments to harmonise the fight against terrorism initiated by the UN Security Council after the 9/11 attacks. In order to do this, the TNI Crime & Globalisation project intends to organise seminars around the issues that might form the basis of a long-term programme:

- **The Economic Impact of the Illicit Drug Industry.** (See this report)
- **Global Enforcement Regimes: Transnational Organised Crime, International Terrorism and Money Laundering.** The seminar will look at the developments in the multilateral agreements on these issues and their dangers for civil liberties, human rights and sovereignty, and the question of who is setting the agenda on these issues.
- **The Criminogenic Aspects of Globalisation: Migration Into Illegality.** The seminar will deal with the effects of marginalization that drive people into informal or shadow economies and its relation with criminal networks who profit from this development and the role of some transnational corporations condoning or actively engaging in illegal activities.

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