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Document Title: Expert Working Group Report on International Organized Crime

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Document No.: 230846

Date Received: June 2010

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National Institute of Justice

Expert Working Group Report on International Organized Crime

by John T. Picarelli

June 2010

NCJ 230846

Discussion Paper

NIJ

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Author's Note

The group of experts that assembled in late January 2010 came well prepared to assess the existing research on international organized crime and suggest where the community should turn next. As the organizer and rapporteur for the group, I would like to thank the attendees for taking time out of their schedules and arriving so well prepared and ready to engage the issues. Without their willingness to engage in an open discussion and, at times, a frank critique of the state of knowledge of international organized crime research, this meeting would have never succeeded in the way that it did.

Please note that the expert working group met under the Chatham House Rule. The Rule states, “When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.” As such, no direct quotes or comments are associated with specific participants. A full list of the participants and the agenda is found at the end of this report.

For more on the National Institute of Justice and its work in the field of international organized crime, please consult our Web site: <http://www.ojp.usdoj.gov/nij/>.

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Introduction

In January of 2010, the International Center of the National Institute of Justice (NIJ) assembled international experts and practitioners to assess the state of research on international organized crime (IOC). Two recent developments made this an opportune time for a working group to engage in a robust and critical reflection. The first was an expansion of IOC research. Although the numbers of books, journal articles and reports on IOC have steadily increased in recent years, the ways IOC research has expanded in other ways made this a good time to call such a meeting. For example, IOC research now goes beyond the traditional disciplines of criminology and sociology to include anthropology, economics, political science, history and other academic disciplines. Moreover, scholarly examination of IOC has gone beyond description and has increasingly focused on critical issues, such as how to improve the scientific rigor of IOC research. Last, this research now uses a mixture of methodologies, including historical, experimental, quantitative, qualitative and case study designs and increasingly implements international or comparative research designs to expand the geographical breadth of studies.

Dovetailing with this growing interest in IOC research is an accelerating effort to develop new strategies to address the IOC threat in the United States. Although not limited to the U.S. Department of Justice (DOJ), the DOJ's efforts are indicative of how this effort is unfolding. In 2008, DOJ released the *Law Enforcement Strategy to Combat International Organized Crime*, which outlined steps to revise its efforts to address IOC. The Attorney General also reconvened the Organized Crime Council (AGOCC), an interagency body that coordinates Federal law enforcement activity against organized crime. In reconvening the AGOCC, which had not met for 15 years, the Attorney General asked that it oversee the implementation of the law enforcement strategy and directed it to focus more on the IOC threat. In 2009, DOJ continued to implement the law enforcement strategy with the formation of the International Organized Crime Intelligence and Operations Center (IOC-2). Through IOC-2, DOJ and other federal agencies are now able to marshal the resources and information of nine U.S. law enforcement agencies and numerous federal prosecutor offices nationwide.

The Expert Working Group (EWG) advanced NIJ's efforts to meet two goals. First, NIJ fostered a new level of cooperation between researchers and practitioners. Although the level of participation in the EWG is a measure of this new cooperation, so too are the number of contacts that have continued after the meeting. Second, NIJ has been able to identify promising agendas for the IOC research community and for federal practitioners. This report provides the IOC research community with suggestions from the research and practitioner communities that can help steer the direction of IOC research for years to come.

NIJ has tasked the EWG to explore seven areas of IOC research, using a three-part rubric consisting of the quality of existing research, the most promising research agendas, and the most problematic methodological or programmatic obstacles (see Appendix A). The first issue was to examine what we know about IOC. The group conducted a summary of existing IOC research and assessed its general qualities and its gaps. The second issue was to probe what IOC research should be pursued. This led into an important discussion about the impact that suggested research agendas could have on policy and practice. Last, and most important, the question of

how to accomplish such research was addressed. The group identified the most effective research methods, explored what data was needed, and named the barriers that would impede these studies as well as ways to circumvent or mitigate them.

The sections that follow summarize the discussion in each of these seven areas. The report concludes with a discussion of recurring themes from the meeting and a series of recommendations on how to proceed with IOC research. As the meeting was held using the Chatham House Rule,¹ none of the participants is named in this report, but their comments are recorded as accurately as possible.

The View of Practitioners

The EWG opened with a general discussion of the requirements for research from the practitioner's perspective. This opened a dialogue between the stakeholders for research, primarily practitioners from various U.S. and foreign government agencies and the research community. Practitioners are stakeholders in the IOC research because they rely on research to inform their decisions on both IOC policy and programs. Yet practitioners are often unable to follow the trends and developments in the broader IOC research field, given the need to maintain expertise in interests that are often narrow (e.g., asset forfeiture or prosecutorial techniques). The relationship between research and practice is largely a paradox wherein practitioners maintain a narrow expertise in an IOC subfield in order to make well-informed decisions but researchers focus on the broader context to achieve a more comprehensive understanding of IOC. The key is to find a way to connect the researcher and the practitioner in a way that benefits both.

Beginning with a discussion of recent U.S. government initiatives against IOC, examples included AGOCC and other recent DOJ initiatives to refocus its efforts.² Since 2008, the AGOCC has resumed quarterly meetings and is focusing on IOC as the primary organized crime threat facing the United States. The discussion also covered the major topics of DOJ's *Law Enforcement Strategy to Combat International Organized Crime*.³ This document lays out four priorities for the U.S. government in fighting IOC: marshalling information and intelligence on IOC, prioritizing and targeting the most significant IOC threats, using the widest range of tools against IOC, and dismantling entire IOC networks.

Another major topic during this session was the recently completed National Intelligence Estimate (NIE) on IOC. The NIE was the first comprehensive study of the threat of IOC to the United States in more than 15 years; it drew on the combined resources of the intelligence community, the AGOCC and private experts. Although the full results of the NIE are classified, some of the public details were presented at the meeting. The NIE noted two broad trends: the role that globalization has played in transforming IOC, and the expanding networks and interconnections among different IOC groups.

¹ For more information on Chatham House Rule, see <http://www.chathamhouse.org.uk/about/chathamhouserule/>.

² For more on the AGOCC, its composition and its history, see http://www.justice.gov/ag/speeches/2008/ag_speech_080423.html.

³ A public version of the strategy is found at <http://www.justice.gov/ag/speeches/2008/ioc-strategy-public-overview.pdf>.

EWG Report on International Organized Crime

The NIE characterized the threat from IOC across four broad categories. The first was the growing nexus between national governments and IOC, in some cases to the point where government and IOC organizations worked hand in hand. The concern is not only that government leaders are profiting from IOC but also that IOC groups are becoming an instrument of state power. Another NIE concern is the widespread corruption that is subverting the institutions of certain countries. The erosion of governance due to corruption in regions such as West Africa and Central America were of particular concern.

The NIE also explored the economic threat from IOC. Although the NIE mainly focused on the anti-competitive behavior of IOC and its impact on legitimate business activities, it also considered the impact of IOC on future global economic growth. The latter is all the more concerning because global economic growth is expected to be concentrated in emerging states that are particularly vulnerable to IOC. Thus, the threat to U.S. businesses from IOC is a worldwide threat and is not limited only to markets important to U.S. security interests. Another concern focused on the ability of U.S. business firms to compete globally, given how IOC penetration of businesses might skew these sectors. A final economic concern addressed in the NIE was IOC's growing involvement in markets that are considered strategic to U.S. security and well-being, such as energy and metals.

The NIE examined two IOC threats fueled by globalization: cybercrime and terrorism. Cybercrime has a multiplier effect on IOC, allowing it to inflict more harm on the global financial system and individual citizens than those crime groups that operate in a more traditional fashion. The NIE concluded that IOC is one of the most sophisticated perpetrators of cybercrimes, so understanding this linkage is of particular importance to governments. The NIE also explored the development of relationships between international criminal and terrorist organizations. Once a terrorist group forms a relationship with IOC, such as in drug trafficking, the terrorist group obtains access to a revenue stream that is hard for government actors to interrupt or eliminate. IOC therefore can serve as a lifeline to terrorist groups, especially when law enforcement puts pressure on terrorist groups and manages to dry up some of their funding.

Aside from the specific initiatives of the U.S. government, the practitioners in the EWG largely agreed that the partnership between government agencies and the research community was vital to their efforts to counter IOC. Research on IOC informs policy and program decisions made by practitioners (e.g., evaluation of counter-IOC tools for U.S. use). Practitioners also noted that IOC research regularly informed their deliberations on the AGOCC and in other venues. Some of the specific areas where they felt research could help improve policy and process included:

1. **Organizational structures:** What are the hierarchy, membership, compensation and governance of IOC groups? How do these structures vary across different IOC groups, and what accounts for this variation? What are the goals of IOC groups? What cultures and demographic groups are involved with IOC groups? What are the needs and services of IOC groups? How do these groups form networks across regions of the globe?
2. **Motivations:** What drives these groups? Are these groups only concerned with making money? What part does power or prestige play in IOC groups? How does this factor into convergence between criminal and other groups, such as the terrorist–crime nexus?

3. **Business model:** Do we understand the nature and types of business activity associated with IOC groups? How is it related to the maturity of the organization? Does the size of the organization matter? What economic or other environmental factors drive the organization? What is the impact of legitimate business on illicit business, and vice versa? How do the licit and illicit sides interface?
4. **Management and vulnerability:** What are the best measures to obscure the location of the proceeds from IOC? What financial products are most at risk? Given that some crime groups are more sophisticated than the institutions they target, how knowledgeable are these institutions about the risk of IOC groups? Do IOC groups handle their own money laundering? Does this vary by group, region or size?
5. **Role of government:** Precisely how do IOC groups work with governments? Are such groups purely external to government, or do they also infiltrate government in some way? To what extent does IOC mobilize government policy? To what extent does IOC use its assets to assist the government and, if they do, what is the motivator (e.g., money, personal relationships)? What is the primary means of probing into government–IOC collaborations?
6. **Harm:** What is the harm that flows from IOC? What is the economic harm caused by IOC groups? Why is it so bad if IOC infiltrates or creates a legitimate business? How do we quantify other impacts of IOC, such as human misery, public safety and threats to free commerce? How can we quantify what portion of losses due to cybercrime are attributable to IOC?

Practitioners also discussed some areas of special concern to their agencies. Smuggling and the illicit trade of goods, ranging from contaminated medicines to hazardous materials, was one topic raised. Another area of concern was the theft of intellectual property. Last, practitioners noted that they need researchers to provide them information to improve their performance and protection against IOC groups.

The discussion that followed the practitioners' presentations focused on prioritization. When researchers have been able to examine government-produced threat assessments, they were able to help practitioners see the larger picture and identify emerging and nontraditional threats from IOC. For example, one participant noted that their organization had witnessed a significant increase in the number of smaller IOC networks in recent years as well as the growing importance of cybercrime in cross-border forms of crime. Another participant noted the increasing importance of the real estate sector in both fraud and money laundering associated with IOC.

The other topic addressed at the end of this session focused on priorities for the private and other nongovernmental sectors. Given that IOC responds to opportunities to profit, researchers can focus on what opportunities exist for IOC to exploit. Put another way, what private sector activities are more vulnerable to crime and corruption than others? For example, how does the expansion of SMART cards impact the incidence of money laundering, fraud or corruption, if at all? In summary, exploring vulnerabilities and opportunities is a way to help the private sector

set its priorities when countering IOC and also aid in law enforcement and other criminal justice responses to IOC.

Obstacles

One obstacle that was raised during the opening session was the flow of information between stakeholders and researchers. Many of the researchers recalled the difficulties they have had in obtaining information from stakeholders, including information that a reasonable person would assume is publicly available. Stakeholders generally agreed on the need to share data with researchers to establish a baseline of “scientific information documenting these areas,” but they also noted the prohibitions against sharing information that was either classified or related to an ongoing investigation or case.

Actors

The next session focused on the actors associated with IOC. The EWG opened with a discussion of international criminal organizations and how are they organized. The EWG also focused on how other actors, especially legitimate or seemingly legitimate actors, facilitate or participate in IOC. The diversification of the criminal activities of international criminal organizations was a third topic, which included the degree to which crime groups focus on facilitating specific forms of crime such as documents fraud or money laundering. Last, the group examined how international criminal organizations learn, communicate with one another, recruit, and perform other maintenance and operational tasks. In summary, this segment sought to deconstruct how criminal organizations operate in order to identify the key gaps in our knowledge of them.

The group agreed that research on international criminal organizations is robust. The fact that the vast majority of definitions of IOC rely on organizational characteristics to segregate IOC from other forms of criminality suggests that organizational analysis is a primary lens in IOC research. Characteristics commonly found in IOC definitions include a continuing hierarchy of leadership roles, restricted memberships and specialization, rational forms of profit-seeking behavior, the use of force or the credible threat of force to obtain their goals, the corruption of public officials, and monopolies over licit or illicit markets. A different set of studies focuses on the place of international criminal organizations on a continuum of crime groups. Although the most easily recognized are large, formal and well-organized criminal groups, they occupy only one end of the spectrum. On the other end are smaller “Mom and Pop” organizations consisting of a handful of collaborators. The ability to operate across borders is not a function of size but rather is a trait exhibited in a number of different types of criminal organizations.

Thus, one of the first recommendations the EWG offered was to continue current lines of research on the organization of criminal groups. The group felt that conducting numerous studies would produce more rigorous results and would better identify trends. Participants further felt that researchers should focus on the organizations involved in more high-risk activities and markets before examining how individuals initially became involved with the crime groups. Focusing on high-risk activities would lead to the high-risk people operating those activities. Another suggestion was to focus on research into white-collar crime, which could identify why certain crimes require the establishment of more formal organizations as opposed to crimes committed through informal and ad hoc networks.

EWG Report on International Organized Crime

The EWG felt that there were gaps in the research on IOC organizations and certain areas needed further development, so they made a number of recommendations. One of the main recommendations was for researchers to focus on individual criminals entering crime groups as a way to discover new aspects of IOC. The group felt that IOC research needs to examine and “mine” the criminal careers of individuals, including the careers of those who failed at organized crime. Such basic research could lead to a number of important projects. One project could be to understand the relationship between individual criminals and the larger contexts within which they work, especially how offenders bridge distance and cultural differences by applying their special skills and being adaptable (e.g., foreign criminals operating in Russia vs. Russian criminals in their own country). Second, studies of individual criminals could evaluate accepted models of organized criminality for validity. For example, the notion of a strict diversification of criminal groups, especially international criminal organizations, is probably false because of the presence of the same individuals or criminal cliques in two or more of these groups. Studies of individuals could also help clarify the notion of internationally mobile offenders or “criminal entrepreneurs” who serve numerous purposes for international criminal organizations but remain a relative mystery beyond some anecdotal studies. Last, some participants felt that studies of former criminals who have “gone legitimate” and have become wealthy businessmen or oligarchs would be edifying if these individuals had truly left behind a life of crime.

Another recommendation for IOC research was to examine how groups organize to engage in specific forms of IOC. For example, to date, no researcher has explored the logistics of IOC, so practitioners do not have a systematic understanding of how crime groups move people around, communicate, or run other aspects of their multinational operations. Nor has research catalogued the attempts, successful or otherwise, of international criminal organizations to invest in (or capture) licit sectors of the economy. To this end, participants noted that any research detailing the relationships between crime groups and licit actors, such as businessmen and political leaders, would further clarify how corruption and protection of criminals are accomplished in IOC organizations.

Last, the EWG saw the need to consider sociocultural factors and their relationship to international crime groups. At a micro level, researchers could explore the degree to which society or culture influences an individual’s decision to join these groups; perhaps a comparative study could be conducted to discover if reasons for joining are different across different international criminal organizations. Investigating what kinds of opportunities that IOC provides — to segments of society denied the ability to work or otherwise advance — could prove useful. On a more macro level, some societies or cultures are known to more easily tolerate the existence of these crime groups, but it not clear why. Participants suggested that studies could examine the conditions that make some states or other jurisdictions more vulnerable to criminal influences. Another related suggestion from the EWG was to map out and explore the formation of “covert spaces,” which provide crime groups the opportunities to supplant government authority. Likewise, studies could focus on how IOC dismantles forms of governance that threaten crime groups while simultaneously constructing new forms of governance more tolerant of IOC. In general, practitioners noted that any studies that could identify how to engender positive forms of governance would have more of an impact on IOC than more generic studies of governance.

Obstacles

Overall, the EWG remained optimistic about completing much of the proposed IOC research. For example, a number of participants from both the research and practitioner communities noted the potential for sharing more data between law enforcement and the research community. The fact that researchers are active in this area means that there exist valid data collection and research methods for future research. Researchers can draw on a growing body of research in human trafficking and cigarette smuggling to improve their data sources, offender and victim interviews, criminal file analyses and intelligence data, all of which are accessible to researchers.

A number of concerns and potential obstacles were noted that researchers would need to address. The first concerned the data that researchers rely on; some participants noted that law enforcement information is limited to the actors who got caught. It is important that researchers recognize this limitation in the presentation of their results, especially because this is the main source of data for studies examining IOC actors. One suggestion was to improve access to structured data sets on IOC drawn from law enforcement agencies worldwide. However, such information is not always forthcoming because law enforcement agencies are reluctant to have their performance compared with others. Nevertheless, such data would prove useful, even if certain identifying markers, such as originating agency, were removed.

The EWG also noted the difficulty of conducting timely IOC research on actors and other aspects of IOC. Some participants noted that high-quality studies require more time and thus more support to complete. For example, conducting a proper harm assessment requires that the researcher deconstruct numerous concepts: the actors, the definition of success and failure, the logistical contexts, and so on. Researchers cannot complete harm assessments without addressing all of these points. Thus, such projects often start out with more basic research on the actors before they move into the more complicated study of the harm done. If the research environment is not conducive to sponsoring basic research, however, then it is unlikely that high-quality studies of harm from IOC will emerge.

As this was the opening session of the EWG, participants also made a number of recommendations that were of a more general nature for IOC research. First, the group felt that IOC research often lacks the details that practitioners require. Although there was a recognition that the complexity of studying IOC often precludes more granular studies of the issues, researchers were urged to strike a better balance between generalizability and practicality in the presentation of their results. One suggestion was for researchers to publish in both academic and professional journals, placing scholarly and theoretical works in the former and more granular and policy-oriented findings in the latter.

Second, the EWG also called for more comparative research on IOC. Several studies examine how IOC operates in a specific country or how criminals travel to conduct crime in other countries. However, IOC studies rarely examine the comparisons across cultures or countries, and how crime groups operate in their own countries versus the destination countries.

Third, the EWG noted that there is very little in the way of grand theory building in IOC research. Most studies of IOC remain limited to elements of their case studies or other data, which in turn limits the ability of researchers to generalize beyond certain sectors of IOC or

regions of the globe. The group urged IOC researchers to commit to broader explanations of IOC that are rooted in theory.

Last, participants stressed the need to support the creation of a proper IOC research community that reflects the interdisciplinary nature of the work and of the EWG. This research community would foster more collaboration amongst researchers across borders and encourage younger scholars to continue the current research. Although some suggestions were offered on how to support this effort, the group felt this topic should be considered further at a future roundtable or other meeting.

National Security Issues

The EWG next considered the various intersections of IOC with national security. One intersection is between the nation-state and IOC. International criminal organizations are able to co-opt the nation-state processes to suit their own interests, and the state can also use international criminal organizations to advance their interests. Also considered were the various ways that IOC can be a security threat in different countries, not merely targeting “weak” ones but also having the capacity to work around countries’ different criminal justice procedures and approaches to fighting IOC. Last to be discussed on this topic was the relationship between IOC and other malevolent actors, such as terrorist or insurgent groups, and how that factors into considerations of national security.

States, Society and IOC

Although existing research in this area was not as robust as research on IOC actors, the group found that two topics in particular had garnered the attention of researchers. The first was the relationship between IOC and governments. Research has demonstrated that this relationship was not simply one of corruption, although corruption is an important element. Rather, the relationships between international criminal organizations and governments need to be considered on a more complex level. Some in the EWG noted that both sides can benefit from such relationships, whereas others noted that the relationship represented a significant threat to countries. Addressing the latter, participants doubted that “state capture” was likely to happen, given the overwhelming strength of national governments. Yet, research has demonstrated that there are times when the national government can serve as the largest international criminal organization within a nation-state. Governments have also used forms of organized crime, such as kidnapping, as a strategic weapon to maintain their control over society. One participant summarized this debate over the relationships between governments and IOC as “barbarians at the gate” versus “barbarians in the gate.”

The EWG also cited research that supported the need to study the complex relationship between governments, societies and IOC on a global scale. It was noted that it is not just the relationship between IOC and governments that matters; how society fits into the equation also plays a role. In one European country, for example, organized crime appeared at times to be more powerful than the national government; however, recent reforms have subjugated the organized crime groups (but not eliminated them). Another European country has a long history of close ties between organized crime and different levels of government, in spite of an active social movement against organized crime and recent successful national campaigns against IOC. One

participant discussed the impact that recent violence in a Latin American country had on the severing of ties between portions of the national government and IOC. In summary, the relationships between criminal organizations, states and segments of society are complex and hard to generalize across borders.

Turning to the need for research, the group arrived at a number of potentially promising research agendas. One was a comparative analysis that would identify which governments are more likely to collude with IOC. Research along these lines would naturally support policy choices designed to reduce or eliminate collusion between governments and IOC. For example, this research could demonstrate how governments adopt new social services or sequence the introduction of new economic policies to reduce the influence of IOC. Such a study could also demonstrate the need to link justice and “rule of law” programs more closely to socioeconomic programs and development. Last, this research could provide insights into how to balance interdiction campaigns — designed to slow the growth of organized crime — with social campaigns — designed to strengthen governance.

Another topic that the EWG felt warranted more research is the capacity of national governments to respond to IOC. Some participants felt it was important to learn if reduced government services in times of economic or budgetary shortfalls then lead to the formation or strengthening of ties between the society and IOC. This is especially true of cuts in criminal justice and banking agencies, given the recent allegations of fraud and abuse during the recent global economic crisis. Likewise, some participants wondered if it is always wise for states to suppress the illicit economies that might prove to be the only security for some segments of society. More studies are needed on how to build capacities such as police forces. Studies need to move beyond the imperative that “the government must act” and include recommendations on *how* the government must act. Last, some urged that researchers look for links between IOC and nongovernmental organizations, especially those NGOs that are crucial to governance practices within countries. Although little evidence suggests that this is a significant problem, it remains a yawning gap in the study of IOC and how it impacts on governance.

IOC, Terrorism and Insurgency

Another relationship the working group considered was that between IOC and either terrorist or insurgent groups. The group was largely disappointed with the research examining the links between IOC and terrorism. One participant offered that, on this topic, researchers “often view the world the way [they] want it to be, not the way it really is.” Some participants built on this sentiment by noting that terrorist organizations do not have to work with crime groups in order to profit from organized crime. Research offers numerous examples where terrorist groups have appropriated the profit-making activities of organized crime without working directly with the criminal organizations (e.g., the drug-trafficking activities of FARC and Al-Qaeda in Mesopotamia).

The EWG was strongly in favor of further research in this area, given its potential impact on the criminal justice and national security policies of countries. Some recommendations for future research on the crime-terrorism interaction were proposed. Not surprisingly, one of the strongest recommendations was for more basic research detailing and cataloguing these relationships. Studies that document how specific criminal and terrorist organizations have collaborated and how terrorist groups engage in IOC would be very helpful. Participants also recommended that

these studies clearly define organized crime and terrorism in order to conduct a critical appraisal of their relationships with one another.

Another area of interest was to examine how trust evolved in such relationships. Sometimes the relations between terrorist groups and criminals break down, leading to mistrust. Studies could explore how governments could exploit these opportunities. Moreover, research on how trust between criminal and terrorist actors relies on external facilitators could provide important information about how these relationships function. Facilitators who provide false documents, money-laundering services, or other support to malevolent actors could play an important role as neutral arbiters to stabilize situations where trust is an issue.

Last, the EWG noted that a broader literature exists on the economics of modern conflict, which can serve as a springboard for further study on how IOC interacts with insurgencies and with conflicts among warlords or on a national/regional level. Although the group felt that further research in this area is welcome, they recommended that scholars review these studies to glean more insights into the crime-terrorism linkages. Some participants wondered if this literature might also prove useful in establishing what role maritime piracy plays in the relationship between national/regional conflicts and IOC.

Obstacles

Members of EWG noted some potential pitfalls and obstacles to completing quality research in this area. They generally agreed with one participant's observation that the research community needs to beware of "policy-correct knowledge." Given the politically charged nature of this area of research, especially research examining the relationship between IOC and terrorism, researchers were urged to be mindful of how policy considerations might drive the research or presentation of the results. Many in the group felt this was more of a general caution, and one that was not limited to research on terrorism and IOC.

Another concern was the lack of multidisciplinary studies in this and other areas of IOC. The group felt that too many publications are addressed to only one academic discipline, and that not enough cross-fertilization between schools of thought had occurred. For example, political economists tend to publish in journals that cater to political scientists and economists, but criminologists do not tend to read these journals. Participants urged their colleagues to move beyond this artificial limitation and seek a more interdisciplinary approach by conducting broader literature reviews and presenting papers at academic conferences that cover more diversified subject matter.

Last, some of the participants noted that research in this area, among others, might require more specialized training (e.g., financial forensics or anti-fraud training). Researchers should consider how available specialized training might enhance their studies of IOC.

Smuggling

As one participant noted, most research on IOC is often a study of one or more forms of smuggling. Covering a diverse set of criminal activities, smuggling encompasses the illicit movement of contraband and also the unregulated or illicit movement of legal goods, stolen

goods, and even people. During the discussion, the EWG focused on the different forms of smuggling and the causes of specific smuggling patterns. The group also examined the similarities and differences among various smuggling organizations.

The existing research on smuggling is well developed and breaks down into three main categories. First are studies of smuggling that have focused on individuals and organizations of various sizes, with data on ethnicity, country or region of origin, extent of organization, nature of expertise, methods used to cross borders, the scale of operations, and the nature and extent of ties between component parts of smuggling networks. Second are studies of smuggling as responses to market forces, with a particular focus on the scale and organization of markets for smuggled goods and persons. Such studies include the magnitude of smuggling flows and related revenues, the extent of global market harmonization versus regional integration, and forms of imperfect competition.

Last are studies that focus on the impact of socioeconomic and political contexts on smugglers. Topics include the opportunities and constraints created by:

- Patterns of criminalization and law enforcement, trade and financial liberalization.
- Immigration control policies and patterns of migration and refugee flows.
- Global and regional economic crises.
- Interstate or civil wars, insurgencies or terrorism.
- State fragmentation and collapse.

These research agendas have met varying levels of success but generally have helped identify patterns from the diverse organization of smugglers and markets. The studies have also explained these patterns through theoretically informed conceptual models and methodologies grounded in economics, criminology, sociology, anthropology and, more recently, political science. Last, historically grounded studies have emerged that have determined trend lines and watershed moments for different forms of smuggling. An extraordinarily rich historical literature on smuggling exists. One participant noted that the founder of Brown University, often revered as a patriot, was also revealed as a smuggler in some of these studies.

Yet the state of knowledge about smuggling remains narrow for two reasons. First, most studies tend to focus on a single commodity. Studies that compare two or more forms of smuggling would provide more robust and generalizable findings that practitioners require. Second, the published material on smuggling tends to reflect the priorities of wealthy countries and thus does not address how smuggling operates in poorer nations. One result of these observations is that studies of drug trafficking have dominated the research on smuggling. Moreover, within these studies of drugs, there is a selection bias toward hard drugs (e.g., cocaine and heroin) over soft or even legal drugs (e.g., prescription abuse) and a bias toward the violent dimensions of drug trafficking at the expense of the reality that drug trafficking is often low-profile and nonviolent.

Research Agendas

From an examination of the existing literature, the EWG arrived at a number of recommendations for future research. The group's main recommendation was for a research agenda that explored the actors, markets and contexts of smuggling, using a comparative

EWG Report on International Organized Crime

approach across place, time and smuggling activities. Such an approach would benefit from the integration of new voices through fieldwork, workshops and multidisciplinary international research teams that facilitate access to local area experts. This approach could help practitioners to better understand existing and emerging smuggling patterns, such as the sudden increase in border tunnels not only between Egypt and Israel but also on the southwest border of the United States.

Comparative analysis across places, if conducted at the national level, would focus on how smuggling links the licit and illicit worlds. A focus on the transportation aspect of smuggling would provide a window into the variety of licit and illicit actors that can enter the transaction chain. This chain provides a more comprehensive picture of the market for smuggling and attendant business practices and also allows researchers to examine the choices that smugglers make to conceal goods or deceive inspectors. In summary, examining all of the actors and actions involved in smuggling provides a way to trace the transformation from a legal businesses to criminal activities.

The EWG also noted that comparing how smuggling operates across time is a fertile area for research. By overcoming the “presentism” in research that assumes smuggling is new and different in the current era, it is possible to produce medium- and long-term smuggling trends and to evaluate the effectiveness of anti-smuggling policies over time. In so doing, historical studies can demonstrate value for policymakers who must deal with smuggling in the present. For example, historical information seemed to indicate that smuggling from China to the United States required high levels of logistical sophistication, but more recent research has found that loosely connected entrepreneurs are the most frequent smugglers and are not part of large international criminal organizations. The implication for policymakers was that it is probably not beneficial for agencies to investigate one or two cases in the hope of finding a big network; rather, agencies should focus on the destruction of the smaller networks.

Studies should also examine how the nature of the commodity influences the smuggling venture. The EWG felt that such an approach would help move the research community beyond the current prominence of compartmentalized studies of single forms of smuggling. Because these studies focus overwhelmingly on drug trafficking and, to a lesser degree, human smuggling, this approach would also strengthen research efforts in other smuggling areas such as arms, stolen and counterfeit goods, or money. Last, this comparative approach would serve as another window on the complexity of smuggling operations. For example, narcotics and human smuggling studies have revealed that a loosely knit group of service providers are available to assist smugglers. Comparative studies would identify whether such structures exist for other forms of smuggling.

One last topic that arose during this session was regarding the merits of studying legalization as a policy for countering smuggling. Recent legislative initiatives and economic difficulties worldwide have led to serious discussions of the value of legalizing and regulating certain illicit goods. No agreement was reached on the value of such an approach, but it was noted that the evidence of such initiatives is mixed at best. For example, some countries have a tolerant approach toward the sex industry, but anecdotal evidence suggests that such policies might

encourage sex trafficking. In sum, legalization was viewed as a complicated topic but worthy of further study, especially if researchers were to evaluate existing legalization programs.

Obstacles

The group noted four problems that can hamper research into smuggling and other aspects of IOC. The first was a pragmatic issue of data collection. Numerous studies of smuggling suffer from either a lack of data or a lack of quality in existing data. Creating new data sets and improving the quality of existing data are therefore important first steps in promoting studies of IOC. The second problem is that this field does not lend itself well to scholarly research. For example, institutional review boards (IRBs) serve an important function in academic research: the elimination of potential harm to interview subjects in proposed studies. In smuggling research, however, IRB staff can impede the process if they lack the expertise. Moreover, the group could not overlook the potential for harm to the researcher studying smugglers and smuggling practices, further reinforcing the need for experienced IOC researchers. Third, some noted that IOC research is sometimes not considered a legitimate area of inquiry by mainstream scholars, which can discourage younger scholars from studies in this field.

Last, the EWG returned to two impediments to IOC research in general. One impediment was the political ramifications of smuggling research. As noted in the discussion of legalization, smuggling specifically, but IOC in general, are politicized areas of research. Researchers must always be wary of engaging in the creation of “policy-correct knowledge” at the expense of a more critical or nuanced view of the subject matter. The other issue that arose was the lack of multidisciplinary studies of IOC in general. One participant noted that smuggling was an area that not many criminologists had yet explored and guessed that maybe only 10 scholars from the IOC field had engaged the topic. One of the key challenges of IOC research is to translate different activities into their economic value. To accomplish this requires knowledge from multiple disciplines. Scholars need to overcome the separation of disciplines as “silos of knowledge,” which makes it difficult for scholars to collaborate across disciplines and move forward in their research.

Penetration of Economic Sectors and Critical Infrastructures

The EWG’s attention next turned to the relationship between IOC and legitimate businesses — primarily how international criminal organizations are purchasing businesses or otherwise penetrating financial markets. Many stakeholders are concerned about IOC investments in critical infrastructures (e.g., rail and pipeline) or strategic materials (e.g., oil and metals) as well as the harm that IOC inflicts on economic sectors. A sound estimate of the harm that IOC inflicts financially on businesses would be helpful information for the stakeholders to have.

The group felt that the existing research in this area is thin. Very few detailed studies exist on IOC’s interplay with legitimate markets; those that do tend to focus only on certain markets. For example, there have been very few studies on the influence of international criminal organizations on real estate markets, although the recent downturn in real estate has exposed some of these linkages through media reporting. Yet the participants presented examples of large, often multinational businesses under the control of international criminal groups, such as the Alfa Group case and the anti-Mafia campaign in New York City in the 1980s. Other

participants noted that significant information already exists on how international criminal organizations invest in legitimate businesses, such as forming false corporations in U.S. jurisdictions. Participants also presented evidence of lawyers and other “facilitators” who act, wittingly or unwittingly, as go-betweens for international criminal organizations and legitimate businesses.

The evidence suggests that the relationship between international criminal organizations and legitimate commerce is a complex picture. Some international criminal organizations invest in businesses in order to garner licit profits, thus serving as passive sources of equity. Others are more active in their involvement, using their investments to negatively impact the operation of businesses and markets. For example, some reports note that businesses operating at the behest or under the influence of international criminal organizations engage in labor practices that the U.S. recognizes as predatory. Over time, these relationships can become quite complicated. For example, individuals who had reaped significant funds from IOC in the past and are now operating “clean” businesses might, or might not, continue to benefit from IOC. Indeed, participants discussed, at length, some historical comparisons between modern oligarchs and the robber barons of the 19th and early 20th centuries arose as a part of this discussion.

Corporate Raiding

One area that is starting to garner more media reporting and academic studies is the practice of international criminal organizations colluding with government agencies to “raid” corporations. The evidence suggests that this is a growing problem in some countries, but not all countries. For example, one country has recorded 300 incidents annually with total losses totaling \$40 million.

Corporate raiding is usually a three-step process. First, crime groups obtain the documents of control for a corporation. For example, a crime group can create a fake power of attorney between itself and the owner of the business and then file it so that it becomes official. The crime group can then bring a suit to freeze assets and use the judicial documents in their favor. The second step involves the crime group physically taking over the targeted firm, often by using a private security company to seize assets on the basis of legal documents the group obtained through earlier court proceedings. Finally, the crime group transfers the assets of a firm to a purchaser through a shell company.

From a research point of view, it is important to look at what happens when IOC enters legitimate sectors of the economy. International criminal organizations engaging in legitimate commerce often do not behave like other licit firms would; through their actions, they often pollute national and international legal systems. Such behavior is extremely pernicious because it empowers crime groups and turns victims of crime into defendants. Moreover, practitioners noted the difficulty of attacking this scheme because extortion is taking place within or through the legal system and because investigators have to dig through complicated legal documents and decisions to make the case.

There exist a number of crimes that are similar to corporate raiding. The first is *vexatious prosecution*, a scheme in which a criminal prosecution is brought for an improper purpose. Sometimes, these prosecutions are initiated by law enforcement, but third parties initiate these cases for business competition purposes. This form of extortion exploits ambiguities in regulations on goods and services and other laws. A second form of this scheme is called

intellectual property racketeering, in which crime groups obtain the legal right to intellectual property for the purpose of extorting money. Crime groups either trademark a good and hold the mark until the legitimate mark holder pays money to get it back, or the criminal group obtains a patent for a minor innovation of an existing product and extorts the patent holder. In summary, corporate raiding and its variations serve as a primary way to link international criminal organizations, governments and legitimate firms.

Research Agendas

The group arrived at five recommendations for further study of how IOC and legitimate business interact. The first was to explore the impact of IOC on markets in a general sense. Researchers need to wade into this area and answer some basic questions. As one participant noted, this research would answer the classic question, “So what?” For example, a number of historical parallels were drawn between today’s forms of “crony capitalism” in developing states and the evolution of the “Wild West” the United States in the 19th century. However, such comparisons rarely rely on a scientifically valid, comparative historical study when they conclude that such crony capitalism will evolve into some form of business that the rule of law governs.

Thus, even basic research could provide important information for practitioners and other stakeholders. Studies could focus on how IOC compromises the normal work of the market and how it threatens the countries in which it operates. Studies could also ascertain if legitimate businesses in a free market are shut out or disadvantaged because of IOC’s presence in the market. Last, the group thought that not only do studies that focus on specific markets have merit but comparative studies across different markets also have merit. For example, one participant noted the importance of understanding how IOC has penetrated the real estate market, whereas others saw value in examining IOC’s penetration of markets in different countries as a potential way of improving our understanding of state or economic failure.

Participants suggested that a second agenda be focused on identifying which firms or economic sectors are most at risk for IOC penetration. Participants were interested in knowing whether those firms and sectors where IOC can make the most money are also the ones most at risk. A similar concern was whether the level of regulation of economic sectors correlates with the risk of IOC penetration. Others noted that it is not only vulnerability that researchers should focus on but also capacity and intent. To accomplish this, researchers could consider the role of corporate social responsibility in relation to the role IOC plays in firms. Finally, researchers could explore the openings or opportunities for IOC to enter certain sectors of the economy. Studies could focus on the necessary level of resources needed to expand into an economic sector and on how financial tools, such as tax evasion and alternative sources of revenue, allow IOC to penetrate an economic sector.

Third, the group recommended that researchers examine a number of aspects of international criminal organizations to see if some are more likely than others to penetrate economic markets and firms than other crime groups. Because little is known about how international criminal organizations invest their funds, tracing their investment strategies in licit businesses and markets could yield some insights into which crime groups are more likely to invest in specific sectors (e.g., telecommunication firms). Likewise, researchers could plot international criminal organizations along measures of organizational attributes (e.g., maturity or illicit activities) to see the correlations with their approaches to investing in legitimate firms and economic sectors. The

EWG Report on International Organized Crime

EWG was also interested in exploring who actually comes out ahead when IOC invests in or enters a business. Although anecdotal evidence suggests that criminal groups derive the most benefits, systematic studies might prove otherwise. One participant noted that the research on La Cosa Nostra and its dealings in the U.S. private sector might serve as an appropriate parallel to this sort of research.

The participants felt that these studies should not limit themselves solely to international criminal organizations but should also examine the role of third-party facilitators. For example, one participant felt that banks and other financial service providers that shield crime groups from “know thy customer” rules facilitate IOC. Researchers could explore how businesses voluntarily enter into willing relationships with crime groups or even engage in illicit activities themselves. Useful studies would include comparisons between firms that engage with IOC and firms that, through environmental or other factors, are attracted to getting involved with IOC.

The fourth suggested area of research was to examine how individuals within international crime organizations approach licit commerce and markets. One topic that most occupied the EWG in this discussion was how researchers might explore the historical analogy between the oligarchs of today and the robber barons of yesteryear; both either engaged directly in or worked alongside criminal organizations to accomplish their goals. Hindsight shows that some of the work of the robber barons was positive and that most of their activities were licit under the laws of the time. Comparative historical studies could further illuminate this observation and see if there are parallels with modern oligarchs. Other participants called for research to examine the role of government agencies in blocking the worst abuses of the robber barons; the growth of the progressive movement expanded this power of the state. Modern oligarchs rely on governments to largely favor them over social movements, often through corruption and illicit means. Finally, one participant noted that historical analysis appears to indicate that robber barons were multigenerational in nature. If confirmed, this interesting finding might prove more valuable in a comparative analysis on economic trends.

The EWG did not feel that the analysis of individuals was merely a historical one because questions remain about the relationship between IOC and oligarchs. Not all oligarchs had or currently have clear ties to criminal groups. A topic the group felt deserved more research was “reputational laundering,” the process by which individuals are rendered legitimate and socially acceptable through their investments and charitable works without threatening their ties to ill-gotten gains or crime groups. Even though oligarchs and other members of the international business elite may appear clean, their close associates may be the links between the elites and the criminal organizations. One participant noted the potential utility of this research for policymakers and for creating incentives for individuals to leave crime groups. However, researchers would need to present their data carefully, as poor data can mistakenly implicate a legitimate businesspersons and hurt their businesses.

The topic of discussion regarding economic penetration was another call for more comparative research. Because the threat of IOC’s involvement in licit markets differs across countries, researchers must determine how to compare IOC harm across countries and produce comparative research that yields swift analyses on how economic and market trends affect the impact of IOC. Some noted that certain segments of the economy, such as real estate, lend themselves to not

only cross-national but also cross-regional analyses of vulnerability. Participants also noted that although the term *oligarch* is usually associated with Russia, the phenomenon is also prevalent in numerous other countries, so researchers should compare data across multiple countries when possible.

In summing up the session, participants expressed concern at the lack of urgency on the part of policymakers and other practitioners on this issue. One participant made this point by asking the hypothetical question for policymakers: Would they have approved of John Gotti buying large segments of General Motors or of large foreign firms, with clear ties to IOC, purchasing U.S. firms or strategic assets such as port facilities? The group felt this topic had a clear and direct link with national security concerns, but that the problem, according to one participant, was that no one agency was focusing on the big picture: how money flows, business trends, IOC and other elements are converging globally. The group agreed that this research would inform policymakers about how IOC enters global business markets and would lead to improved financial and regulatory policies.

Obstacles

During this session, the group remarked on another obstacle to research: the role of definitions. How do researchers across disciplines and across countries define IOC? Definitions are important for any study and are especially important for any comparative studies of IOC. For example, if definitions of IOC are rooted in rule-breaking activity (i.e., conducting criminal activities), then how does one account for the fact that states can change the rules? Along those lines, some in the group wondered if “penetration” was the right word because it suggests that something outside of the market intervenes. Rather, some group members suggested examining the economic activity itself to see where the legal environment provides opportunities for crime.

Piracy and Cybercrime

The group next turned to two topics that researchers are starting to explore. The first was the degree to which international criminal organizations are involved in the piracy of intellectual property, goods and other products. The second topic, given the importance of computers and information networks in these activities, was how cybercrime and IOC overlap.

In general, the view of the group was that these are both areas with a small but growing body of research. Starting with cybercrime, the group noted the increasing importance of the Internet to our society and our systems of governance. In many ways, the Internet is a hostile environment because it is not yet governed by the rule of law. One participant likened it to an arms bazaar and brought forward some research findings to demonstrate the point. Whereas intrusions into U.S. government networks have increased 40 percent in recent years, only 1 percent were successfully prosecuted. Furthermore, 98 percent of bank heists are now conducted online. Losses from cybercrime totaled \$1 trillion in 2009. Recent studies have documented a 200 percent increase in intrusions into U.S. government networks in 2010; some attacks cost as much as \$6.3 million in losses on a daily basis.

Moreover, research is demonstrating the emergence of a mature, service-based economy for computer hacking and for the development and deployment of malicious software. Online

criminal activities that profit from this development include intellectual property theft, the sale of malicious software code (e.g., cyber weapons) and cyber extortion. Criminal groups exist online but, unlike their terrestrial cousins, they are ephemeral and do not meet in person. Studies have demonstrated that the typical online criminal group consists of at least five people: a reconnaissance person, a person to exploit code to load into programs, a data miner, a money launderer, and an original coordinator associated with IOC. Given that 108 countries have cyber-attack capabilities that can be deployed against the United States, this is likely to remain an area of concern for IOC stakeholders in the years to come.

The EWG next discussed the state of research on intellectual property theft, a challenging field that researchers have only begun to explore in depth. The piracy of intellectual property covers a wide scope and includes the theft of DVDs, software, pharmaceuticals, cigarettes, airplane parts, counterfeit goods and other items. The group characterized the piracy of intellectual property as a low-risk, high-profit environment. There is a low entry cost because products are cheap, and distribution costs remain low because of well-developed IOC networks linked to distributors. On the demand side, the theft of intellectual property is fueled by the large consumer demand for luxury goods. Estimates are that between 7 percent and 10 percent of pharmacy products are pirated and that piracy captures roughly 9 percent of overall world trade; however, researchers do not agree on the reliability of these numbers.

Little research has been conducted on the harm done as a result of intellectual property piracy. In terms of harm to the consumer, research has tried to distinguish between deceptive piracy, where the buyer thinks they are purchasing legitimate merchandise, and nondeceptive piracy, where the buyer knows the product is not legitimate. Deception often proves more harmful, such as when counterfeit medication proves ineffective. However, nondeceptive piracy might also prove harmful in an economic or even a social sense.

It is difficult to estimate the total loss due to intellectual property theft. As firms have developed better ways to describe losses, estimates of intellectual property theft have generally been in the billions of dollars annually. For example, a confidential informant told investigators that counterfeit cigarettes are a much more profitable and less risky business than drugs. Quantifying the size of the problem is all the more difficult because of the decentralized structure of intellectual property theft. With the advent of the Internet, other technology improvements and improved shipping mechanisms, distribution channels have multiplied.

The global recession has exacerbated cybercrime and intellectual property theft for two reasons. First, many information technology professionals lost their jobs during the recession, creating a new talent pool from which to recruit malevolent actors. Second, the rise of offshore outsourcing of intellectual property development, especially software development, has increased the systemic risk of falling victim to cybercrime and intellectual property theft. One participant noted that this is especially true for online hosting companies, which store an increasing share of the global data of individual and corporate technology users.

Research Agendas

Given the basic level of research in these areas thus far, the EWG's recommendations have focused mainly on how to improve our overall knowledge of cybercrime and the piracy of

intellectual property. Starting with cybercrime, participants suggested that basic research was the best strategy for research in the short term. The group felt that studies describing the relationship between IOC and cybercrime would provide stakeholders a baseline from which to evaluate existing assumptions about cybercrime. For example, such studies could evaluate stereotypes about hackers being young and more ideologically motivated. As one participant noted, anecdotal evidence suggests that hackers “are not just a bunch of crazy kids.”

Participants had three suggestions on how research might proceed beyond basic descriptive studies. First would be studies that explore how international criminal organizations utilize cybercrime as a form of information gathering and counterintelligence. Participants cited recent media reports that national governments are using cybercrime to collect information from their adversaries. It is not a big leap to assume that international criminal organizations are using cybercrime for the same ends. Participants felt that this research might also confirm the existence of “virtual Mafias” and other forms of IOC that exist purely in cyberspace.

A participant suggested that another research topic in this area would be the impact that promotion of “hacker culture” has on international criminal organizations. For example, one country’s government offered high school students the opportunity to compete in contests to prove their hacking skills, and the winners were quickly moved into government cyber warfare agencies. The hacker culture has led to unintended consequences, however. For example, it is estimated that this same country has 150,000 “hacker crews.” Thus, studies that explore how hacking and other forms of cybercrime operate in different cultural contexts can help improve our knowledge of its relationship to IOC.

The third topic of discussion on cybercrime research focused on its links to the financial sector. Participants pointed out that cybercrime can facilitate money laundering and cybercriminals may engage in counterfeiting that supports IOC. Research could also focus on responses to the threat of financially related cybercrime. For example, studies could examine how governments can put tracers on hubs of hacker services and online money launderers to improve investigations and responses to IOC. Another research suggestion was to explore how the use of existing asset forfeiture laws can be applied to online money laundering.

Turning to the piracy of intellectual property, the EWG again noted the need for basic research on how it operates and how it links to IOC. One participant suggested that researchers determine the profits from piracy, categorized by the type of intellectual property being pirated. Such research would require the compilation of “real dollar figures,” not estimates, for stakeholders to better target the perpetrators of intellectual property theft and define their probable involvement with IOC. In addition, this research could explore the ways in which national and local governments sanction the counterfeiting of intellectual property and how this might encourage the involvement of international criminal organizations.

Further research is also needed that provides details about the market for pirated intellectual property. Several participants asked for more research on the societal and cultural contexts of piracy and research to pinpoint the role of international criminal organizations as opposed to more local or national criminal activity. Finally, some noted that research on Internet piracy of

intellectual property needs to focus on its impact on the normal flow of money and assets, which would improve stakeholders' ability to target piracy and international criminal organizations.

Last, researchers could examine the legal codes pertaining to the piracy of intellectual property. Given that the majority of enforcement measures against intellectual property violations are rooted in civil as opposed to criminal law, participants felt this was an area ripe for exploration. In particular, some participants felt that a public-private model might prove most advantageous for fighting intellectual property theft. Others noted the need to examine how changes in legal codes and regulations might impact the market for pirated intellectual property. Finally, one participant noted the need to examine sentencing for intellectual property theft, suggesting that lenient sentences from judges reinforced the "high profit, low risk" model found in other forms of IOC.

Several participants noted the need to educate the public about the piracy of intellectual property, although they were not suggesting it as a research topic per se. One participant noted that piracy of intellectual property is another problem that "we cannot prosecute or litigate our way out of." Educational programs based on solid research would have a better chance of reducing demand and, in turn, reducing piracy better than law enforcement campaigns alone would accomplish. A good model of piracy would also provide the public with an accurate picture of the harm associated with piracy. Much of the research suggested in this session would help to arrive at this model.

Obstacles

Some obstacles to researching cybercrime and piracy arose during this session. A participant noted that researchers have to be cautious about data supplied by industry sources and about working with firms too closely on both issues. Given the obvious investment that firms have in protecting their interests, their threat assessments have proven to be inflated at times. Another challenge for researchers is that hackers are often not the "usual suspects" but are often people with no prior criminal records who do not fit the usual profile of organized criminals. Therefore, some models from criminology and other disciplines may not prove as useful.

Corruption

Corruption is a topic that is integral to the understanding of IOC but is largely studied outside the context of IOC. Given the many sources of corruption and the numerous ends that corruption serves, the study of corruption covers a broad range of academic literature. For this discussion, the EWG limited their discussion to the degree to which IOC drives corruption, as opposed to responding to corruption, and specific ways that corruption facilitates IOC. The experts also explored the forms of corruption that are most often associated with IOC. One expert previewed the discussion by noting that the participants should understand the more explicit connection between IOC and corruption and not just explore IOC as a conduit for corruption.

The EWG noted that there is already significant research from which to build. In particular, the group noted a number of statistical studies that examine the link between corruption and crime. For example, the International Country Risk Guide has a number of questions on corruption and serves as a private database that correlates closely to the database maintained by Transparency

EWG Report on International Organized Crime

International.⁴ Another example is a study in Tanzania that evaluated the impact of raising government salaries as an anti-corruption strategy. The group concluded that corruption was an area with enough existing research to recommend that researchers move beyond basic research to applied research.

Overall, the EWG recommended seven broad areas for future research on corruption. The first was for researchers to explore different definitions of corruption and how they relate to IOC. A participant noted that, even though definitions differ, the World Bank's definition contains a useful phrase, "abuse of public position for private gain," that describes the linkage of IOC to corruption. However, the group also noted that previous research has shown that corruption is a symptom and not a cause to be targeted.

Second, the EWG felt that the research on corruption's links to IOC needed to "bring in the state" more often. Some noted that studies should better explain how countries create opportunities for corruption through leadership, legal codes, regulations or other mechanisms. For example, some states have restrictive laws that promote corruption, whereas others with bank secrecy laws create havens for corrupt officials to bank their ill-gotten gains. Other participants noted the need to look at fragile, weak, post-conflict and even post-disaster countries and examine how they create openings for corruption by having no oversight mechanisms. Regardless of the type of country, the group agreed that more research was needed on how corruption binds political leaders and international criminal organizations. Also needed within this research is an examination of the role of facilitators of corruption: not just corrupt officials but also the lawyers, notaries, bankers, businessmen, and others who serve as the connection or catalyst for corruption in government.

Participants next recommended that researchers examine the underlying causes of corruption to better understand its relationship to IOC. For example, smuggling tends to involve corruption because cross-border movement either requires or greatly benefits from payoffs to officials to facilitate or guarantee the illicit movement. Such payouts to lower level officials often beget payoffs to higher level officials, which in turn can impact the legitimacy of a national government and breed other forms of criminality such as protection rackets. However, participants noted that researchers should move beyond the simple "corruption begets crime, and vice versa" argument and become more precise in how corruption is linked to specific illicit activities. Another suggestion was to construct a flow chart of corruption targets to differentiate the purpose of bribing high-level officials from the purpose of bribes to lower level civil servants. Such research can help stakeholders draft regulations and other legislation that mitigates rather than encourages corruption.

The fourth recommendation was for researchers to conduct comparative research across numerous countries. As one participant noted, examining corruption across multiple countries allows for a better understanding of how it links IOC to leaders and others. Comparative studies can model the link between corruption and IOC by using cultural, historical, social, political and other points of comparison. A participant provided an example in a study of three neighboring countries in which one housed a corrupt ruling elite that left no room for IOC to flourish, a second contained a merger of politicians and military officers that used IOC to promote its own

⁴ See <http://www.prsgroup.com/> for more on the ICRG and its methodology.

ends, and a third had a sizeable organized crime presence but was still able to undertake reforms of government structures. Given their close proximity, the study was able to draw out how different policy choices and other factors led to the formation of corrupt links between governments, elites and IOC.

The EWG also noted that researchers need to evaluate structural factors. For example, many participants noted the conventional wisdom that corruption is more likely to occur when public officials are not adequately paid. However, recent scholarship has demonstrated that this does not stand up to scrutiny, as studies of corruption on the U.S. border with Mexico have borne out. The role of the cultural context was a major topic of interest to many participants. Some felt that although it may appear that a “culture of corruption” exists in some countries, other participants interjected that what may appear as cultural forces may actually be the result of a structural failure of government to provide services to its citizens. In other words, bribery becomes the only way to get anything done and thus serves as a practical reality but not a particularly cultural attribute.

The EWG also called for research on how to mobilize society against corruption and IOC. The group felt that civil society is a crucial element in fighting corruption and IOC, noting examples such as the outrage against the Mafia in Italy in the 1980s and 1990s, which led to a major crackdown against corruption and IOC. Researchers could explore how governments might provide assistance to countries in such a way as to incentivize and promote a culture of lawfulness. Alternatively, researchers might explore how society benefits from IOC. Some participants also noted that business associations should be brought into the conversation as a part of civil society.

Last, the group felt that studies of corruption need to provide specific information and guidance to governments. Some were concerned that policy and technical assistance can be based on possibly false assumptions; they see research as the potential cure. Studies could use available experiential data and criteria for measuring corruption to compare salaries and the incidence of corruption both explicit and transparent. Studies are also needed that evaluate potential legislation for its impact on corruption, for example, avoiding ambiguous statutes that can lead to corruption. Another potential topic for research is the way in which corruption operates in the judiciary, and whether it is easier to bribe a judge or a jury. Studies that target specific aspects of corruption can provide more guidance for policymakers and other stakeholders.

Additional Issues

Even though some topics arose frequently during the two days of discussion (e.g., the need for comparative studies), two warranted a separate discussion. The first was the need for evaluations of a broad range of tools that government agencies use in the fight against IOC. The other topic deserving separate attention is the need to measure harm from IOC and to convey it to the public in a more meaningful way.

Evaluation Studies

A number of participants observed that credible evaluations of IOC programs and policies were lacking. The most significant concern was the presentation of “best practices” when, in fact, no

evaluation study had validated the practice. Although many of these programs have met with success, defined in terms of arrests or convictions, deeper evaluations of the programs should seek to identify the reasons for their success, how to further improve the programs, and how these programs might work in other countries. This last aspect of evaluation studies, referred to as *transferability*, is important given the significant need for technical assistance to improve international cooperation against IOC.

One participant discussed how their agency used evaluation to identify best practices. The agency started with a definition of IOC and sought to understand how it impacted the local community. They next developed a plan to collect intelligence on IOC that would yield information on the active IOC groups in the country. After two years, the agency had collected information on about 500 criminal groups. The agency used this information to implement some programs (e.g., combating money laundering) but also used it to evaluate the effectiveness of these programs on the basis of their impact on known criminal groups.

Participants had a number of specific recommendations for evaluation studies. One noted the need to identify the potential, unintended consequences of anti-crime programs and pending legislation. Evaluation studies that examined best practices in the establishment and operation of IOC intelligence-gathering centers would help improve their performance. Others noted that the technologies require evaluation as well, for example, using technology to secure segments of international borders and determining whether such investments were more cost-effective than other, more manpower-intensive methods. Last, numerous participants noted that asset forfeiture programs required more transparency and evaluations to ensure that they were an effective strategy to combat IOC.

Measures of Harm

The EWG also frequently returned to the need for development of better indicators of harm done by IOC. Whereas the emphasis for policymakers is often on economic harm, social and public health indicators are among some of the other forms of harm that participants noted were important for researchers to explore. One participant related that the national health system of a country only sets aside a small number of intensive-care beds for emergencies or serious surgical cases. If an emergency case arises from a shooting and requires hospitalization, this often displaces an innocent person from access to these beds. Thus, the health service examined the true cost of this scenario and found that a shooting victim costs 16 times more than a conventional patient. When an innocent person was displaced, this further increased the cost and added the additional harm to community safety. Another participant noted that the insurance industry in one country spent 45 percent of its income on fraud detection and prevention.

The EWG felt that the way to proceed with studies of harm was to bring researchers, policymakers and practitioners together to share what is known about criminal activity and harm in a step-by-step process. The starting point might be to take information from closed IOC cases—investigator notes, court records, pre-sentence reports, and so on—and then interview those involved in the cases for more information. Next, the researchers should identify key indicators of harm in these cases, such as money stolen, and use case information such as insurance claims or the costs of private security as measures of these indicators. After aggregating all of these data, the studies should produce better estimates of harm. Some

participants noted that, throughout the process, researchers should carefully triangulate sources of information to remove bias or inaccurate reporting.

The group also noted some potential pitfalls for evaluation studies of IOC. The process will require that law enforcement and researchers trust one another in order to obtain access to the information that law enforcement controls. Researchers will also need total access to quantify the data and work with law enforcement and policymakers to clarify the data and findings. Old investigative files are, by nature, biased toward the past and may contain only information that can be proven in court as opposed to providing the full picture of the crime. None of these limitations suggest that the proposed evaluation studies could not proceed forward.

Conclusion: The Way Forward

Overall, the working group was a success. This report contains a significant number of suggestions to the research community on how to proceed. It is important that the EWG was able to explore the potential roadblocks in pursuing IOC research and was able to make suggestions on how to move through them. The group proved that researchers and practitioners can come together for a frank discussion of research goals and how to meet them in a constructive way. The additional insight from international researchers and practitioners also proved valuable, lending further validation to the call for comparative studies in multiple countries.

Although the sessions are a challenge to summarize, a few themes arose throughout the many discussions. The first theme was the developing state of research in IOC. In many of the areas that this EWG examined, the state of knowledge on IOC has developed to the point that researchers can proceed to conduct more advanced studies. The group agreed that larger, more theoretical studies would drive more significant recommendations for both practitioners and fellow researchers and that this is a goal that the community should adopt.

The second theme from the meeting was the need for international or comparative research on IOC. Many participants agreed that studies should analyze their findings in an international context, exploring how studies conducted in one country might still apply to other countries. Conducting such analyses will produce more far-reaching conclusions about IOC than studies relying on dense descriptions of localized phenomena. Although participants agreed that localized or national studies of IOC are helpful, the working group as a whole stressed much more strongly that comparative studies of IOC need to reach meaningful conclusions for practitioners.

A third theme was the importance of researcher–practitioner collaboration to produce good research. On numerous occasions, participants noted that practitioners needed to embrace research and especially the data requirements of researchers. The group often noted the benefits that practitioners derive from research and the numerous times that practitioners have relied on research to form policy or enact programs. Continuing to bring together practitioners and researchers into a mutually supportive relationship, focused mainly on data and analysis, will only improve the research and the recommendations it can make to practitioners.

EWG Report on International Organized Crime

A fourth theme was the need for interdisciplinary studies of IOC. Currently, criminologists dominate the field of IOC research. However, the group noted contributions from other fields, such as political science, economics and history, that have significant impact on our understanding of IOC. Some participants noted that researchers from business schools could provide another useful voice in IOC research. Indeed, one participant noted that the Harvard Business School conducted a study of the black market in Europe. By using an interdisciplinary approach to IOC research, studies can expand to include a more diverse set of research methods and data sources. In the absence of quantifiable data, for example, researchers need to engage in ethnographic methods in order to produce results. Moreover, whereas scholars often view the word “anecdotal” as a negative term, studies based on anecdotal evidence are not necessarily poor but rather are limited in the breadth of conclusions they can make.

The last theme was concern for the IOC research community. Although it is outside the scope of the EWG, many participants noted that the numerous research agendas presented at the meeting would require not just a sustained effort on the part of research sponsors but also a robust research community to undertake and continue the studies. On numerous occasions, the group acknowledged the need for more focused efforts on encouraging graduate students and junior faculty to study IOC. The group recommended that this was a topic worth exploring in more detail in a future meeting of experts.

In conclusion, the EWG provided a few concrete suggestions on how to ensure progress in research on IOC. First is for the IOC research community to take on the larger questions of social science, such as state building and crime prevention. In so doing, IOC research would gain credibility where it does not already exist as well as attracting more scholars to the field. Such a move would also force research to engage in more sophisticated and theoretical designs that could yield more scientific results. In summary, taking on larger research agendas would move IOC closer to the central drivers of social science research.

Second, a permanent mechanism between researchers and stakeholders is needed. Too often, the group noted, as research into IOC has unfolded in one or more of these areas, stakeholders had lost interest in the findings until they realized that they needed researchers’ assistance, even for more short-term research outcomes. By creating a permanent link between stakeholders and researchers, information can flow more readily to stakeholders, and the critical feedback on the practicality of research can flow back to scholars. Such a link is especially important when scholars have “bad news” to relay to stakeholders, such as evaluations proving that programs are ineffective.

In the end, the state of knowledge of IOC is advancing but uneven, growing in some areas but just beginning in others. Obstacles and barriers remain, but paths forward and possible solutions are beginning to emerge. Serious questions remain about the power of research, but equally serious requirements from stakeholders suggest that research on IOC will find its way into the central decision-making processes of stakeholders. Through its work, the EWG was able to provide the baseline from which future IOC research can grow.

Appendix A: Agenda

Thursday, January 28, 2010

8:00 a.m. **Registration and Networking Coffee**

8:30 a.m. **Greetings and Welcome**

- ▶ Laurie Robinson, Assistant Attorney General, U.S. Department of Justice
- ▶ Kristina Rose, Acting Director, National Institute of Justice

8:45 a.m. **Opening Remarks**

David W. Ogden, Deputy Attorney General, U.S. Department of Justice

9:00 a.m. **Introductions and Charge for the Group**

John T. Picarelli, National Institute of Justice

9:15 a.m. **The National Intelligence Estimate on International Organized Crime**

Mathew J. Burrows, National Intelligence Council

9:30 a.m. **Stakeholder Panel**

What gaps in our knowledge of international organized crime most concern U.S. government agencies? How can the research of academic and other private sector institutions have the maximum impact on U.S. policy and practice?

Panelists:

- ▶ Jennifer Shasky Calvery, U.S. Department of Justice
- ▶ Robert Werner, U.S. Department of the Treasury
- ▶ Derek Benner, U.S. Department of Homeland Security
- ▶ David Luna, U.S. State Department

10:30 a.m. **Break**

11:00 a.m. **Actors**

How diversified are the criminal activities of international criminal organizations? To what degree are crime groups forming for the sole purpose of facilitating single forms of crime (e.g., document fraud)? How do other actors, especially legitimate or seemingly legitimate actors, facilitate and otherwise participate in international organized crime? How do international criminal organizations learn? How do they communicate with one another? How do they recruit?

Facilitators:

- ▶ Jay Albanese, Virginia Commonwealth University
- ▶ Klaus von Lampe, John Jay College of Criminal Justice

12:30 p.m.	Lunch: Speaker:	Legal Racketeering in Russia Thomas Firestone Resident Legal Advisor U.S. Embassy — Moscow
2:00 p.m.	National Security Issues	How are international criminal organizations attempting to co-opt the state to suit its interests? How are states attempting to use international criminal organizations to advance their interests? How does international organized crime present itself as a national security threat to different types of countries? How do links to other malevolent actors, like terrorist or insurgent groups, manifest themselves and factor into the previous questions? Facilitators: ▶ Phil Williams, University of Pittsburgh ▶ Vanda Felbab-Brown, The Brookings Institution ▶ Bruce Ohr, U.S. Department of Justice
3:30 p.m.	Break	
4:00 p.m.	Smuggling Patterns	How do different forms of smuggling operate? What drives similarities and differences between smuggling enterprises? What are the causes of smuggling patterns? Facilitators: ▶ Peter Andreas, Brown University ▶ H. Richard Friman, Marquette University ▶ Derek Benner, Immigration and Customs Enforcement
5:30 p.m.	Wrap Up and Adjourn	

Friday, January 29, 2010

8:00 a.m. **Networking Coffee**

8:30 a.m. **Piracy and Cybercrime**

To what degree are international criminal organizations involved in the piracy of intellectual property, goods and other products? How are computers and information networks utilized to facilitate piracy and other forms of international organized crime? To what degree do international criminal organizations engage in online forms of crime? What level of harm does international organized crime inflict on businesses and society from these activities?

Facilitators:

- ▶ Tom Kellermann, Core Security Technologies
- ▶ Tom Vender Beken, Ghent University
- ▶ Andrea Sharrin, U.S. Department of Justice

10:00 a.m. **Break**

10:15 a.m. **Penetration of Economic Sectors and Critical Infrastructures**

Are international criminal organizations purchasing business ventures and penetrating financial markets? What investments are international criminal organizations making in critical infrastructures (e.g., rail, pipeline) or strategic materials (e.g., oil, metals)? Can we quantify the harm international organized crime inflicts on these economic sectors? How can we better prevent, deter or detect such interplay between underworld and upperworld?

Facilitators:

- ▶ Ernesto Savona, Transcrime
- ▶ Glenn Simpson, International Assessment and Strategy Center
- ▶ Robert Werner, U.S. Department of the Treasury

11:45 p.m. **Break**

12:00 p.m. **Corruption**

What work is being done on the corruption patterns associated with international organized crime? To what degree is international organized crime driving as opposed to responding to corruption? To what degree is corruption facilitating international organized crime? What forms of corruption are most prevalent when looking through the lens of international organized crime?

Facilitators:

- ▶ John Heilbrunn, Colorado School of Mines
- ▶ Louise Shelley, George Mason University
- ▶ Thomas Firestone, U.S. Embassy — Moscow

1:30 p.m. **Wrap Up and Adjourn**

Appendix B: List of Participants

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EWG Report on International Organized Crime

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EWG Report on International Organized Crime

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