



## ABOUT THIS REPORT

Part of the Munich Security Conference's Transnational Security Series, this report aims to shine a light on selected examples of transnational illicit flows which, in their manifold manifestations, have implications for global, regional, and national security. Given the illicit nature of these flows, available data is often fragmented. In light of this challenge and in order to illustrate key insights, this report – which includes contents compiled in close cooperation with many institutions and experts in this field – will put the spotlight on transnational challenges across several dimensions of illicit flows.

In MSC tradition, this report does not aim to be exhaustive, but rather to serve as a discussion starter for our key audience and to highlight questions that need to be asked.

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# Foreword

Dear Reader,

Globalization has made our world richer in many ways. However, rapid technological advances and the increase of global trade flows over the past decades have also catalyzed all kinds of illicit flows. Such unlawful or illegitimate cross-border exchanges are often linked to organized crime and present broader transnational threats to stability and security. The trafficking in drugs, arms, and people, and the associated illicit financial flows are only some examples of the challenges straddling the border between international and domestic security policy.

In the wider context of the challenges which the international order currently faces, such emerging transnational security threats add another layer to the complex security environment policy-makers need to navigate. However, the challenge of illicit flows may also present a silver lining of sorts: As states find themselves faced with similar challenges which they cannot overcome on their own, this could stimulate multilateral cooperation in practice, contributing to a reinvigoration of regional and global governance mechanisms.

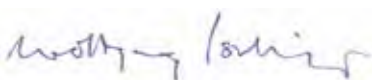
The Munich Security Conference (MSC), true to its 55-year tradition, is committed to doing its part to bring together key actors to foster dialogue and discuss ideas for future cooperation. Our Transnational Security Series aims to provide a high-level forum for decision-makers and experts from policy, academia, and the private sector to discuss strategies on countering the impact of transnational security threats.

This report is part of that effort. Modeled on our flagship Munich Security Report, as well as previous papers such as the European Defence Report, this report shines a light on selected examples of transnational illicit flows which endanger global security by funding conflicts and perpetuating instability. The following pages focus on four key areas of illicit flows: people, goods, finance, and data, with selected examples for each. Given the complexity of the issue, they represent spotlights rather than an exhaustive treatise. As a whole, the report aims to alert decision-makers to the main threats posed by illicit flows and point to possible cooperative approaches, building on ongoing efforts by multilateral and national bodies around the world. Our Food for Thought section offers recommendations for further reading.

As has become tradition for our publications, the data analysis and graphics – many of them previously unpublished or updated specifically for this report – were compiled in close cooperation with renowned institutions and experts dedicated to increasing the understanding of illicit flows and transnational organized crime in its different forms. A new thematic endeavor for the MSC, this report would not have been possible without the generous support of the numerous institutions, friends, and partners who provided us with insights.

I would like to thank them all – and wish you an interesting and thought-provoking read. I am also looking forward to continuing the discussion on these important topics at our upcoming events.

Sincerely yours,



Ambassador Wolfgang Ischinger  
Chairman of the Munich Security Conference

# Cooperating Across Borders: Tackling Illicit Flows

"[T]errorism is ever more interlinked with international organized crime and the trafficking of people, drugs, arms and corruption."<sup>40</sup>

**ANTÓNIO GUTERRES,**  
**25 SEPTEMBER 2018**

As people, goods, money, and data become ever more connected and move across the globe with increasing ease and speed, globalization – the increasing interdependence of economies, cultures, and populations<sup>1</sup> – has made the world smaller. In many ways, globalization has also made the world richer, both figuratively, through increased exchanges between countries, and literally: The number of people living in extreme poverty is now smaller than at any other time in recorded history.<sup>2</sup> However, as with many symptoms of our increasingly interconnected world, globalization has not just fueled legal forms of global economic interconnections. It has also become a catalyst for all kinds of illicit flows: that is, unlawful or illegitimate cross-border exchanges of people, goods, money or data.

Over the past few decades, these exchanges have grown significantly in scale, as the staggering extent of the problem illustrates: Illicit flows resulting from cross-border criminal operations – such as arms, tobacco or pharmaceuticals smuggling – are estimated to account for between USD 1.6 and 2.2 trillion annually,<sup>3</sup> nearly the size of the United Kingdom's gross domestic product (GDP).<sup>4</sup> As this dirty money lines the pockets of malevolent actors from armed groups to terrorist organizations, and even rogue states, illicit flows can evolve into global threats to peace and security.

"The most dangerous security threats we face today are cross-border in nature – criminals and terrorists are no respecters of national boundaries."<sup>41</sup>

**SIR JULIAN KING,**  
**21 DECEMBER 2018**

While cross-border illicit flows have existed throughout history in different forms, with smugglers and pirates operating for centuries, the problem reached a new dimension in the late 20th and early 21st century. Market and trade liberalization since the 1970s supercharged global trade, even surpassing the amounts seen in the beginning of the 20th century.<sup>5</sup> In 1960, trade made up 24 percent of global GDP; by 2017, it was 58 percent.<sup>6</sup> The general conditions enabling an increase in global trade flows, namely the integration of national economies into a global economic system and technological advances, have thus also enabled illicit flows of goods, people, and finance to thrive. Illicit flows do not simply exist in isolation from their legal counterparts, but rather represent the dark "underside of globalization" and the growing global economy.<sup>7</sup> For example, when container ships – the main force of global trade flows linking trade hubs – came into widespread use, they soon not only carried legal cargo, but also became a favorite of criminal networks. The sheer size of trade flows in a globalized world makes these flows, including their illicit variants, almost impossible to track or control by law enforcement and customs agencies.<sup>8</sup> For instance, an average of 4,500 ships reach the port of Hamburg each year, with a turnover of 8.7 million cargo containers in 2018; this was close to 24,000 a day.<sup>9</sup>

Their elusiveness is one of the key challenges of illicit flows. While some flows are inherently illegal, such as human trafficking, in other cases, the boundary between legal and illegal is less clear-cut,<sup>10</sup> as illicit goods may be mixed with licit ones. To take another example, certain illicit activities may be viewed as legitimate in particular contexts either due to local customs or because they "are

subsistence-level activities.”<sup>11</sup> For example, due to the central state’s weakness in remote regions, Malian tribes historically sought opportunities for trade across the wider region, crossing into neighboring countries.<sup>12</sup> Understanding structural factors is therefore key to understanding what drives illicit flows.<sup>13</sup>

“Today there are no purely regional criminal threats. Women, children and men are enslaved by human traffickers and smuggled across borders, an unprecedented supply of drugs is being routed to Europe from Latin America, whilst cyber criminals carry out attacks from all corners of the globe.”<sup>42</sup>

**JÜRGEN STOCK,**  
29 MAY 2019

The effects of illicit flows on global security are manifold and have both immediate and long-term implications for the global and national levels and for individuals.

One immediate effect is that cross-border smuggling, human trafficking, and cybercrime generate illegal income for armed actors, state and non-state. Apart from being used to finance terrorist attacks, unchecked illicit flows may fuel ongoing conflicts, perpetuate broader instability, and act as spoilers during peace processes.<sup>14</sup> In a recent survey, African Union member states ranked cross-border trafficking of arms and ammunition by land as the main type of illicit flow affecting their countries.<sup>15</sup> While in some situations, “illicit trafficking predates conflict,” in others, it is a by-product: Put differently, armed groups may exploit an ongoing conflict to run their illicit economies and generate profits.<sup>16</sup>

In the long term, illicit flows impede a country’s development by siphoning off funds from where they are needed, thereby reducing state capacities and weakening national economies. The African continent is estimated to have lost an average of USD 73 billion annually between 2000 and 2015 from trade misinvoicing alone, thus obscuring the true nature or value of goods moved.<sup>17</sup> Furthermore, illicit flows undermine trust in governing structures by corrupting officials or undermining the integrity of electoral processes. Even state actors make use of them, for example, for espionage.

As a whole, illicit flows provide fertile ground for criminal networks to flourish. Experts have warned that these networks “increasingly undermine”<sup>18</sup> national and international efforts to ensure peace and security. Indeed, as some observers argue, “by ignoring the political power and strategies of criminal groups, we risk overlooking a major force shaping contemporary global affairs.”<sup>19</sup>

“Criminals are exploiting new technologies, as well as capacity and regulatory gaps, to acquire and hide stolen proceeds. It is high time to reinforce global action to counter the risks posed by economic crime, money laundering, the financing of terrorism and corruption in all its forms.”<sup>43</sup>

**YURY FEDOTOV,**  
16 MAY 2019

As the “unholy alliance” between organized crime and terrorism has become a wider security challenge attracting increasing attention from experts,<sup>20</sup> policy actors have stepped up their determination to act. Notably, within the past decade, key actors – from the United Nations to the World Bank, from the Organisation for Economic Co-Operation and Development (OECD) to the Organization for Security and Co-Operation in Europe (OSCE) and the United States,<sup>21</sup> to name only a few – have raised the issue and published strategies to combat transnational organized crime and address its repercussions for peace and security. In its Agenda 2030, the UN has emphasized the link between peace and security and sustainable development, explicitly calling on member states to “reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.”<sup>22</sup>

The UN Security Council has devoted particular attention to the role of illicit flows in specific conflict areas, for the first time adding individuals accused of human trafficking to a Libya-related sanctions list in June 2018.<sup>23</sup> In the same month, the Council expressed “deep concern regarding the transnational threat posed by terrorism and organized crime (including trafficking in persons, arms, drugs, and natural resources, and the smuggling of migrants) in the Sahel region” and requested that the Multidimensional Integrated Stabilization Mission in Mali

“We must step up our international collaboration to close off the avenues through which countries lose potential revenue to illicit flows. This is a very urgent collective responsibility as flows leaving developing countries invariably land in developed countries.”<sup>44</sup>

**AMINA J. MOHAMMED,**  
24 SEPTEMBER 2018

“Security threats today are rapidly evolving and multiplying. Whether it is fighting cyber or organized crime, drugs or firearms trafficking, or terrorism, the only way we can do this effectively is through joint efforts.”<sup>45</sup>

**DIMITRIS AVRAMOPOULOS,**  
21 DECEMBER 2018

“Combating organized crime must be considered a significant factor in conflict prevention and resolution, reversing ecosystems that enable such criminal governance. Where crime thrives, there can be no sustainable peace.”<sup>46</sup>

**TUESDAY REITANO,**  
6 NOVEMBER 2018

(MINUSMA) increase its awareness of the underlying illicit financial sources of conflict.<sup>24</sup> However, observers have argued that despite increasing awareness, multilateral institutions and peace missions continue to lack a clear mandate to combat transnational illicit flows.<sup>25</sup>

Overall, unlike traditional “hard” security challenges – such as military or paramilitary threats erupting in violence – many transnational security challenges that have emerged and expanded over time have not (yet) elicited the same international efforts to tackle them. Of course, this search for comprehensive solutions is complicated by the fact that “the dynamics of organized crime are specific to each conflict-affected state and defy generic or template approaches,”<sup>26</sup> while at the same time “insecure spaces in the developing world allow for a crime-terror convergence that rapidly erodes state capacity.”<sup>27</sup>

While the challenges posed by illicit flows are rising, the few rules of the international system that have been put in place to minimize them are being subverted or are dissolving. The United States, in particular, has been a leading force and set an international gold standard for tracking and policing illicit flows on an international level.<sup>28</sup> Other nations followed suit by implementing US-standard criminal laws targeting drug trafficking, money laundering, and organized crime. Indeed, combating transnational threats not only depends on policing crimes at a national level, but, importantly, on cooperating and sharing relevant data internationally.

This is no easy feat in today’s turbulent political and security environment, which has put a strain on even the closest of ties between long-standing allies. At the same time, combating transnational organized crime can be a possible area of cooperation, presenting an incentive for states to share data and work together closely. This could include strengthening existing cross-border law enforcement efforts such as INTERPOL or EUROPOL and taking the approach to other regions, or it could even involve establishing new multilateral frameworks similar to the Conference of the Parties (COP) format seeking to counter climate change.<sup>29</sup>

With the transnational security threat of illicit flows increasingly being recognized, policy actors have already made significant efforts to counter this threat. However, there is much room for improvement when it comes to understanding the nature of this multifaceted problem, the links between the different illicit flows and how to approach it in its complexity.

This report will focus on four key areas of illicit flows: goods, people, finance, and data, with selected examples of each.

### Goods

From small arms to tobacco, from illegal drugs to natural resources, anything can be traded for profit. This provides financing for malevolent actors and adversely affects security. For example, drug trafficking has implications both in terms of the death toll caused by drug use, totaling almost half a million fatalities globally each year,<sup>30</sup> and when it comes to the violence caused by organized crime groups operating the drug trade, affecting countries and regions from Myanmar to Afghanistan, from Latin America to West Africa and the Middle East. As armed groups and terrorist organizations diversify their sources of income, they are now increasingly turning to environmental crime – the illicit trade in natural resources from timber to gold.<sup>31</sup>



“Our rapidly changing and hyperconnected world faces serious transnational challenges: conflicts, organized crime, terrorism, illicit trafficking and the improper use of advances in technologies. Our social, economic and judicial systems are more fragile than ever with millions of people deprived of their basic rights and for whom peace, development and justice are just elusive concepts.”<sup>47</sup>

**BETTINA TUCCI BARTSIOTAS,**  
**27 SEPTEMBER 2018**

“Regional and international police cooperation are vital components in the global security architecture of the future.”<sup>48</sup>

**JÜRGEN STOCK,**  
**14 DECEMBER 2018**

“We are not just fighting a virus. We’re fighting insecurity. We’re fighting violence.”<sup>49</sup>

**TEDROS ADHANOM**  
**GHEBREYESUS,**  
**20 MAY 2019**

## People

Both human smuggling and trafficking – the latter of which this report focuses on – thrive in fragile contexts and in turn perpetuate instability as a source of income and power for criminal organizations and armed groups.<sup>32</sup> While data availability is limited, due to the high number of unknown cases, the International Organization (IOM) for Migration alone has assisted almost 100,000 victims of human trafficking over the past two decades.<sup>33</sup> The United Nations Office on Drugs and Crime (UNODC) has tried to find reliable information on the about 225,000 oftentimes “nameless” victims of trafficking since 2003.<sup>34</sup> In an age of increasing displacement caused by conflict and climate change, with displaced persons more vulnerable to trafficking, the issue is unlikely to become less relevant any time soon.<sup>35</sup>

## Finance

Illicit financial flows (IFFs) pose a double threat. On the one hand, they enable violent actors – be they terrorists, armed groups or rogue states – to sustain their operations. IFFs allow them to purchase equipment like weapons, to secure their profits and to buy influence by corrupting officials. On the other hand, IFFs weaken state capacities and national economies. An estimated USD 1.7 to 4.2 trillion<sup>36</sup> was laundered in 2018 alone – much of it across borders. This is money that could otherwise have gone to fund vital state services such as health care and law enforcement; instead it is being used for personal gain. As a result, state capacities and legitimacy are being undermined. This is especially harmful for states that are already fragile. In the most extreme cases, IFFs may enable state capture or the emergence or continued existence of areas of limited statehood.

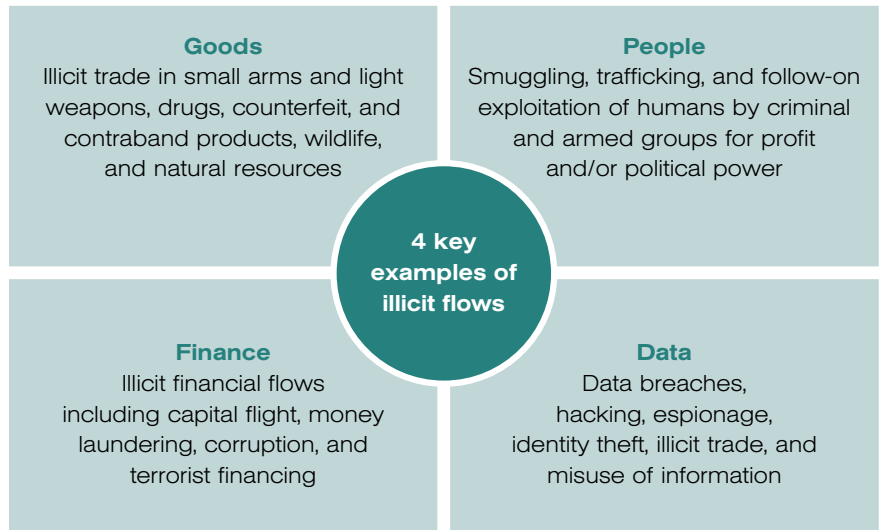
## Data

Illicit flows of data now raise concerns far beyond privacy. The ever-increasing amount of data – an estimated 2.5 quintillion bytes of data, or 25 million kilometers of books,<sup>37</sup> that is created every day – presents a security problem as it becomes increasingly difficult to shield it from intrusions and misuse, especially as more and more of it is being stored online or on devices that connect to the internet. Apart from the significant economic damage caused by cybercrime, this leaves individuals, as well as companies and states exposed to espionage and extortion. Illicitly acquired data may even be used to undermine electoral processes. An infamous recent example of this is the Facebook and Cambridge Analytica case during the last US election campaign.<sup>38</sup>

While this report looks at these four kinds of illicit flows separately, it is very important to remember that more often than not, they are linked to and enable each other. The sequence chosen does not imply that one type of illicit flow, such as the smuggling of certain goods, is more important than another, such as human trafficking.

As the term “illicit” implies, the flows discussed here take place in the shadows by design. This makes finding reliable data one of the key challenges. Hence, this report aims to present the most up-to-date, verified data available and make it clear where data is uncertain or lacking. In many cases, new technologies have corroborated previous estimates. For example, thanks to satellite imaging, analysts can make surprisingly precise predictions about Afghan poppy cultivation.<sup>39</sup> The same cannot be said about the illicit financial flows resulting from the sale of drugs like heroin.

OVERVIEW OF THE  
SELECTED TYPES  
OF ILLICIT FLOWS  
COVERED IN THIS  
REPORT



Source: Munich Security Conference<sup>60</sup>

EXEMPLARY  
LESSONS FROM  
COOPERATIVE  
APPROACHES TO  
GLOBAL HEALTH  
ISSUES

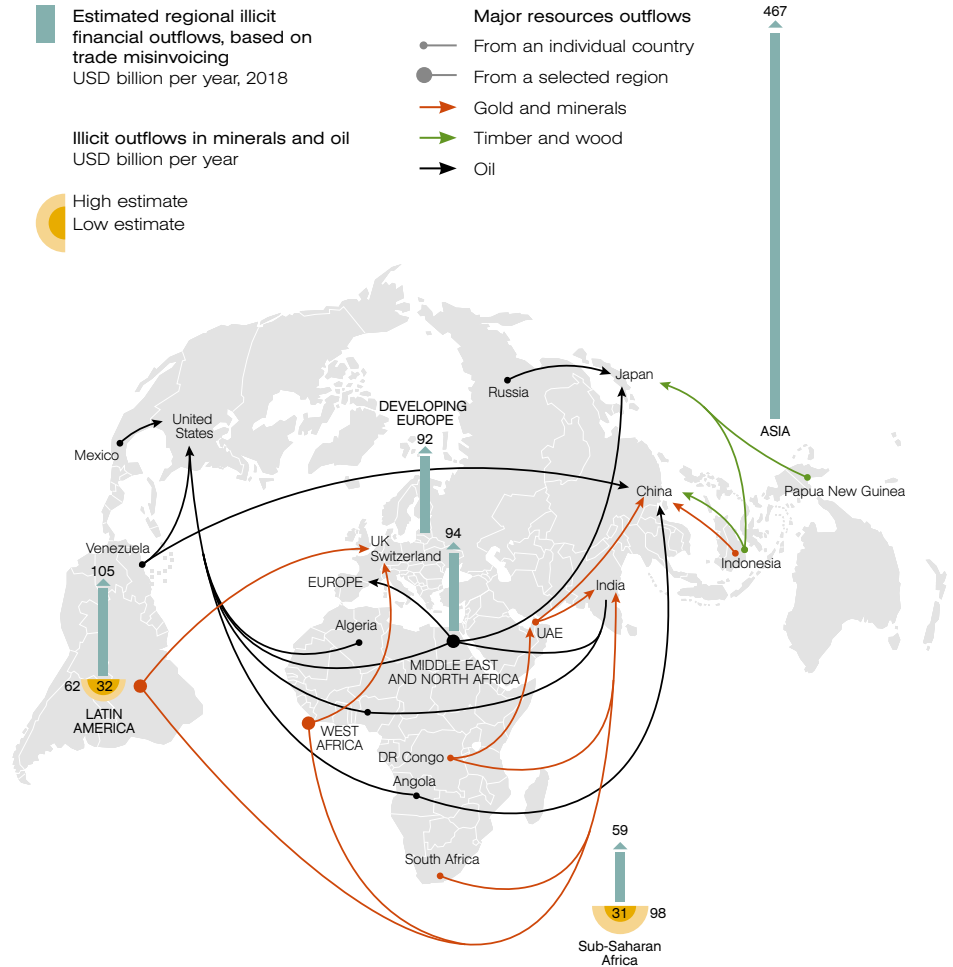
Not unlike illicit flows, global health threats do not stop at borders, particular not at porous ones in fragile and conflict-ridden areas. An estimated 1.6 billion people, 22 percent of the global population, now live in such settings and are thus particularly vulnerable.

Facing global health threats such as Ebola, the international community has recognized the need for collective action, developing a comprehensive toolbox of instruments through the World Health Organization (WHO). In 2018 alone, the WHO registered 481 public health events in 141 countries and sought to accelerate joint responses by mobilizing stakeholders and resources to act “as locally as possible and as internationally as necessary.”

Cooperative efforts for global health security can offer lessons for addressing other transnational threats as well, including the importance of preventive action, measured responses, and enhanced cross-border cooperation. Past outbreaks, local and global, as well as the two Ebola outbreaks in the Democratic Republic of the Congo in 2018 demonstrated the importance of balancing risk mapping at borders with minimizing unnecessary restrictions to travel and trade.

Source: World Health Organization (WHO)<sup>61</sup>

## GLOBAL ILLICIT OUTFLOWS OF CAPITAL AND SELECTED NATURAL RESOURCES



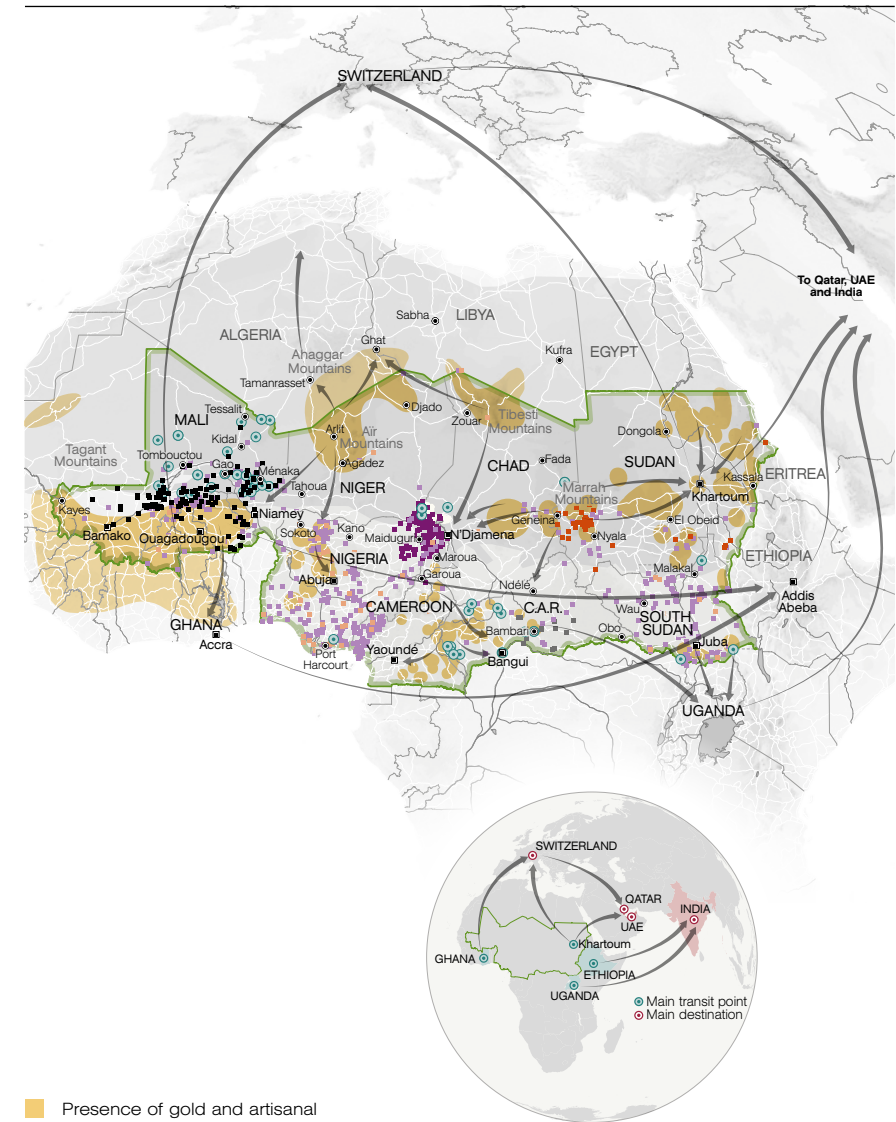
## ILLICIT OUTFLOWS OF MINERALS AND OIL FROM AFRICA AND LATIN AMERICA

Officially,<sup>50</sup> gold worth at least USD 22.8 and 23.45 billion, respectively, leaves Africa and Latin America every year.<sup>51</sup> However, at least 55 to 60 percent of gold mined in the two continents is considered illegal.<sup>52</sup>

Local gold refineries are being used extensively to launder gold from illicit sources in an artisanal mining sector involving several million people, forced labor, and high risks. Illicit gold mining is becoming a rising source of income for cartels, criminal gangs, and non-state armed groups, with the mineral sector averaging 17 percent of global threat and conflict finance compared to drugs at 28 percent.<sup>53</sup>

Capital flight from the African mineral sector,<sup>54</sup> has been estimated at USD 50 billion<sup>55</sup> at least – with a total range of USD 24 to 61 billion<sup>56</sup> – compared to illicit oil exports of USD 7.65 to 37.5 billion. Illicit annual exports from extractive industries in Africa account for at least USD 31 to 98 billion, compared to USD 32 to 62 billion from Latin America, with companies typically paying only 0 to 4 percent tax on official amounts.

# GOLD, TERRORISM, AND CONFLICT IN TRANS-SAHARAN AFRICA



- Presence of gold and artisanal small-scale gold mining
- Main gold smuggling routes
  
- Conflict events in 2018–2019 involving ...
- Boko Haram
- Islamic State – Jama'at Nasr al-Islam wal Muslimin (JNIM)
- Anti-Balaka
- Other rebel group, ethnic or local militia
- Sudanese Army and Rapid Support Forces (RSF, paramilitary)
- Other national Army or police
- International forces or UN Forces

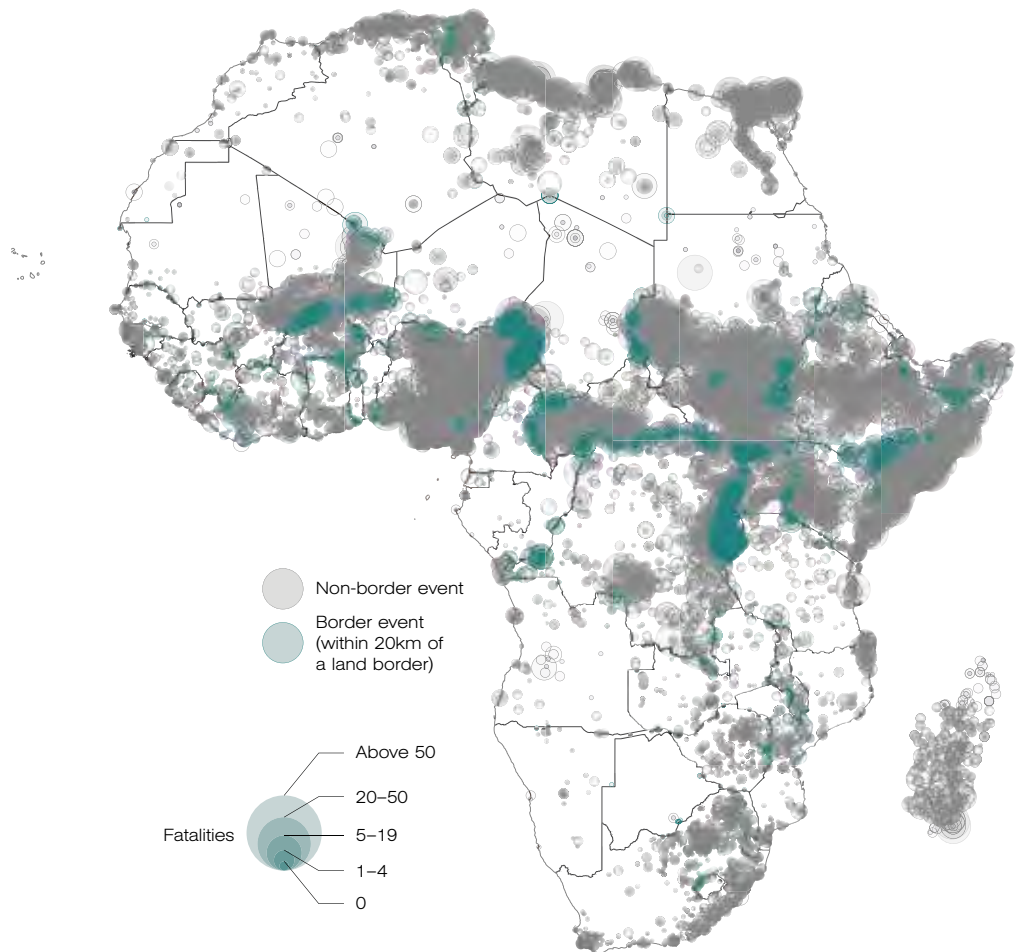


Source: RHIPTO Norwegian Center for Global Analyses<sup>58</sup>



TRANSNATIONAL  
VIOLENCE IN AFRICA

Violent events,\* location, and fatalities, 2010–2019



\* Including abduction/forced disappearance, armed clash, air/drone strike, remote explosive/landmine/IED, attack, mob violence, violent demonstration, shelling/artillery/missile attack, excessive force against protesters, grenade, suicide bomb, non-state actor overtaking territory, sexual violence, government regaining territory, chemical weapons.



# Goods

```
mirror_mod.use_x = False
mirror_mod.use_y = True
mirror_mod.use_z = False
cooperation = True
mirror_mod.use_x = False
mirror_mod.use_y = False
mirror_mod.use_z = True
threats.tsr.msc
#selection at the end -add back the deselected mirror modifier o
mirror_ob.select= 1 illicit flows
modifier_ob.select=1
bpy.context.scene.objects.active = modifier_ob
print("Selected" + str(modifier_ob))
modifier_ob is the active ob
mirror_ob.select = 0
```

# Goods: Gold Diggers and Smoking Guns

"[...] the problems of terrorism and illicit trafficking in firearms, along with other forms of serious and organized crime, have too often been addressed in isolation."<sup>61</sup>

**YURY FEDOTOV,**  
3 SEPTEMBER 2018

Every year, an estimated USD 31.5 billion is generated in illicit flows in conflict-affected areas, the vast majority of which – 96 percent – benefits organized criminal groups.<sup>1</sup> The illicit trade in goods, ranging from small arms to drugs and from counterfeit products to natural resources, represents a threat to security either due to the goods' inherent nature or due to their broader destabilizing effects. For certain kinds of smuggled goods, such as arms, the link to security is obvious.<sup>2</sup> Yet profits made with other illicitly traded goods are also of increasing concern, as non-state armed groups' and terrorists' incomes continue to diversify.<sup>3</sup> Trafficking in cultural heritage – "blood antiquities"<sup>4</sup> plundered from historic sites in Syria, Yemen, and Mali – has recently received particular attention as a "terrorist financing tool."<sup>5</sup>

Hence, illicit trade has serious effects on security, from helping state actors to circumvent sanctions to threatening the rule of law within states as organized crime groups spread fear and buy influence at the political level.<sup>6</sup> While illicit networks foment conflict,<sup>7</sup> this is often a side effect of their activities rather than the primary purpose. In fact, observers point out that many illicit economic actors are, above all, "in the business of doing business": They are opportunists willing to smuggle "anything for anyone and any reason – as long as the price is right."<sup>8</sup> A closer look at selected flows illustrates some of the key challenges at hand.

"Illicit drugs are linked to organized crime, illegal financial flows, corruption and terrorism. It's vital for public health and national security that we fight drug addiction and stop all forms of trafficking and smuggling that provide the financial lifeblood for vicious transnational cartels."<sup>62</sup>

**DONALD TRUMP,**  
24 SEPTEMBER 2018

Small arms and light weapons kill more people than any other type of weapon.<sup>9</sup> The illicit trade in small arms is troubling, especially considering that a total of more than 875 million small arms are estimated to be circulating globally.<sup>10</sup> Africa is particularly affected: from diverted national stockpiles to craft production and from corrupt officials to returning peacekeepers, a range of sources testify to the complex patchwork of illicit arms transactions.<sup>11</sup> And while the trafficking of weapons from the Libyan stockpile recently decreased due to increased demand within the country and international and regional security presences in the Sahel, trafficking patterns through the sub-region have diversified.<sup>12</sup>

Complicating things further, some state actors are contributing to the illicit arms trade by arming proxy groups.<sup>13</sup> Their attempts to bypass sanctions and embargoes have critical consequences for global security – North Korea has famously trafficked conventional arms, ballistic missiles, and chemical agents to other rogue states and their proxies for decades.<sup>14</sup>

Around 200 times more profitable than arms trafficking<sup>15</sup> and engendering "some of the highest levels of violence for all transnational crimes,"<sup>16</sup> drug trafficking has likewise worried policy-makers for decades. Links to security have also become evident, not least since the long-drawn-out efforts to stabilize Afghanistan, where poppy cultivation funds insurgent groups and fuels corruption.<sup>17</sup> The illicit drug economy destabilizes both regions of drug production and transit and increasingly impacts human security.<sup>18</sup> West Africa has long been a hub for drugs en route to Europe, with shipments from South America increasingly being joined by flows of opiates from Afghanistan.<sup>19</sup> Against the backdrop of a weakened central state



“Technology is changing the nature of all crimes, including illicit trafficking. We must make technology our ally in the fight against transnational crime.”<sup>63</sup>

**TIM MORRIS,**  
**25 SEPTEMBER 2018**

“The fastest-growing forms of illicit commerce are those targeting our fellow species, threatening the future of human life on earth.”<sup>64</sup>

**LOUISE SHELLEY,**  
**13 NOVEMBER 2018**

“From Mongolia to Laos, from Angola to the Amazon, the illegal wildlife trade robs sovereign nations of their resources and deprives some of the poorest countries in the world of the revenues of their biodiversity [...] Our response has to rest on international cooperation[...].”<sup>65</sup>

**JEREMY HUNT,**  
**11 OCTOBER 2018**

and armed uprisings, drug trafficking in Mali has become “both a central stake and an essential resource for the struggles that are redefining political power relations.”<sup>20</sup>

Global drug trends, like the recent growth of the complex synthetic drugs market<sup>21</sup> have global, regional, and national security implications. For example, the rise of the synthetic opioid Fentanyl – which caused up to 28,000 deaths in the United States in 2017 and is one cause of the opioid public health emergency declared by President Trump<sup>22</sup> – is also being felt in Mexico, the main source of US-bound heroin.<sup>23</sup> Experts have linked recent violence to increasingly aggressive efforts by organized crime groups’ move into synthetic opioids; such efforts have included lacing them into other drugs to boost sales.<sup>24</sup> The shift towards synthetic drug production is also tangible in the “Golden Triangle” of Myanmar, Thailand, and Laos.<sup>25</sup> Myanmar’s Shan State has emerged as a hotspot for crystal methamphetamine production based on Chinese chemicals, creating “a political economy inimical to peace and security” as interlocked interests spoil attempts to end a long-standing conflict.<sup>26</sup>

Yet profitable trade is not limited to illegal drugs. With 1.1 billion smokers in the world<sup>27</sup> and an estimated one in ten cigarettes and tobacco products sold illicitly,<sup>28</sup> the profits of the illegal cigarette trade are enormous. The OECD estimates the value of the illicit trade in tobacco to be greater than that of oil, wildlife, timber, arts and cultural property, and “blood diamonds” combined.<sup>29</sup> Indeed, the trade is highly attractive given its relatively low risk compared to other forms of crime.<sup>30</sup> However, it not only deprives governments of revenue – the 44.7 billion counterfeit and contraband cigarettes consumed in Europe in 2017 equal a tax loss of up to EUR 10 billion<sup>31</sup> – but also fills the coffers of organized crime and other malevolent actors. Countries such as North Korea have become veritable hubs for the production of counterfeit tobacco products.<sup>32</sup> Related security threats range from tobacco cartels threatening vendors<sup>33</sup> to terrorist funding across the decades,<sup>34</sup> from Algerian terrorist leader Mokhtar Belmokhtar<sup>35</sup> to ISIS.<sup>36</sup>

Natural resources are the “largest conflict finance sector,” as experts have called them: environmental crime covers illegal activities from logging to mining and from waste dumping to oil theft and wildlife poaching.<sup>37</sup> This not only generates 38 percent of the largest armed groups’ incomes,<sup>38</sup> it has also seen the most substantial recent growth aside from cybercrime.<sup>39</sup>

The illicit trade in precious materials plays a particular role in obstructing conflict resolution. Gold is the largest revenue source for armed groups in the Eastern Democratic Republic of Congo, from where hundreds of USD millions worth of gold is smuggled into international markets, including into major companies’ supply chains.<sup>40</sup> And though timber may appear to be less precious than gold at first glance, illegal logging is in fact “the largest, least risky and most profitable illicit environmental industry,” with 50 to 90 percent of wood from tropical countries being traded illegally.<sup>41</sup> In addition to funding organized crime, illegal deforestation compounds environmental degradation and climate change, threatening human security in affected areas and potentially triggering further conflicts down the line.<sup>42</sup>

Illicit trade does not stop at near-extinct species, either: The illegal wildlife trade is worth as much as USD 23 billion annually<sup>43</sup> and is increasingly linked by investigators to financial crime<sup>44</sup> and money laundering.<sup>45</sup>

“Organized criminal networks are adding to their profits through involvement in wildlife crime. They see it as a lucrative and relatively low-risk activity. They are the very same groups who move drugs, people and weapons.”<sup>66</sup>

**PRINCE WILLIAM,  
DUKE OF CAMBRIDGE,  
11 OCTOBER 2018**

This link between physical and financial flows has received growing attention by policy-makers as they try to address the role of illicit trade as an enabler of violence and corruption at the national, regional, and international level. Notably, the UN and its bodies, as well as regional institutions such as the African Union, have tried to connect the dots between the different kinds of illicit flows. Leading the response from a law enforcement perspective, key institutions such as INTERPOL, EUROPOL, and the World Customs Organization have continued to increase the number of joint operations targeting illicit trade and have helped arrest suspects across the world.

In addition, various configurations of states and organizations have publicly committed to countering specific illicit flows through statements, protocols, and declarations. Such concerted efforts can bear fruit: Legislation against the illegal ivory trade has prompted a significant decrease in the price of ivory, making the trade less attractive.<sup>46</sup> With illicit traders of all kinds seemingly adjusting to changing circumstances with ease, collective and innovative efforts to address the illicit trade in various kinds of goods are needed more than ever.

## Recommendations

1. **Redouble efforts to improve data availability on and analysis of illicit trade**, from cross-border information sharing in order to track down specific shipments and organizations to mapping overall trends in routes and operating models. In particular, improve cross-border data sharing to understand the links between different types of illicit flows.
2. **Strengthen international and regional cooperation across law enforcement and security organizations**, including through joint trainings – from interagency data sharing to forensic evidence best practices<sup>47</sup> – and joint operations, such as those led by INTERPOL to seize illegal firearms, drugs, and wildlife.<sup>48</sup>
3. **Build on previous successes in working towards international treaties against illicit trade through Conference of the Parties (COP) efforts**, such as the WHO's Framework Convention on Tobacco Control Protocol to Eliminate Illicit Trade in Tobacco Products<sup>49</sup> and, where appropriate, economic arrangements like regional free trade zones to reduce tariff barriers to legal trade, which can incentivize smuggling.
4. **Continue to investigate the link between illicitly traded goods and illicit financial flows in particular**, stepping up anti-money-laundering measures to counter both the illicit trade and revenues generated from it, including by consistent national adoption of global anti-money laundering and transparency standards.<sup>50</sup>
5. **Increase the effectiveness of sanctions as deterrents for illicit actors**, who prefer to trade in goods “where rewards are highest, and the risks are lowest.”<sup>51</sup> At the same time, prioritize the most drastic measures against the most dangerous networks and groups threatening security: as experts have warned, “indiscriminate application of law enforcement can have undesirable effects,” with the largest groups possibly emerging even stronger.<sup>52</sup>
6. **Join forces through cross-industry and public-private partnerships where appropriate to fight illicit trade**, such as the Latin American Alliance Against Smuggling, which brings together regional public and private efforts.<sup>53</sup>
7. **Improve weapons management and tracing systems as outlined in the UN's 2030 Agenda**,<sup>54</sup> including by implementing regional commitments such as the African Union's Roadmap<sup>55</sup> by building capacities in stockpile management, tracing and record keeping, and by destroying illicit arms in the most affected countries and regions.<sup>56</sup>
8. **Enhance the use of technologies to counter illicit trade in goods**, such as “track and trace” systems, which have helped curb the illicit tobacco trade in several countries,<sup>57</sup> and investigate their applicability for other types of illicitly traded goods.
9. **Improve traceability of resources and inputs used in global supply chains** to counter the use of minerals sourced in contexts of conflict and environmental crime, including by further developing the use of technologies such as Blockchain to track shipments of legitimate batches, which makes it more difficult for illicitly-sourced materials to blend in.<sup>58</sup>
10. **Bolster conservation-driven development in key source countries and regions of the illegal wildlife trade and improve state control over affected areas**, including through trans-frontier conservation areas.<sup>59</sup> In parallel, increase global awareness of the illegal wildlife trade's disastrous consequences among “end customers” to curb demand.<sup>60</sup>

**KEY FACTS ON  
ILLICIT ARMS FLOWS  
IN AFRICA**

**HOW?**

Cross-border trafficking by land is the most prominent type of illicit flow, from convoys carrying exclusively weapons and ammunition to the small-scale “ant-trade”

- Diversion of licit weapons: unauthorized change in possession or use, including through diversions of transfers, national stockpiles, and peace operations, as well as of civilian holdings
- Already illicit arms: unlicensed craft or artisanal production and illicit conversion of imitation arms into lethal-purpose weapons

**WHAT?**

Legacy weapons from earlier conflicts, diversions from national stockpiles, craft production, converted imitations, parts, components and ammunition

**WHO?**

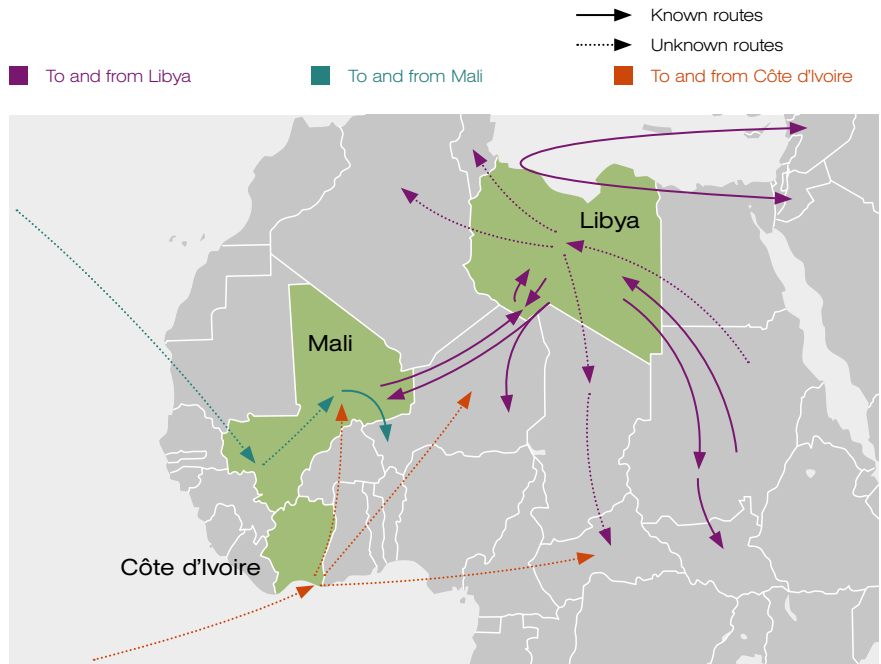
Armed and terrorist groups, corrupt security officials, criminal gangs, drug traffickers, illegal traders, local manufacturers, poachers and returning peacekeepers

Source: African Union Commission and Small Arms Survey<sup>67</sup>



**DOCUMENTED  
FLOWS OF WEAPONS  
AND NON-STATE  
ARMED PERSONNEL  
IN THE SAHEL**

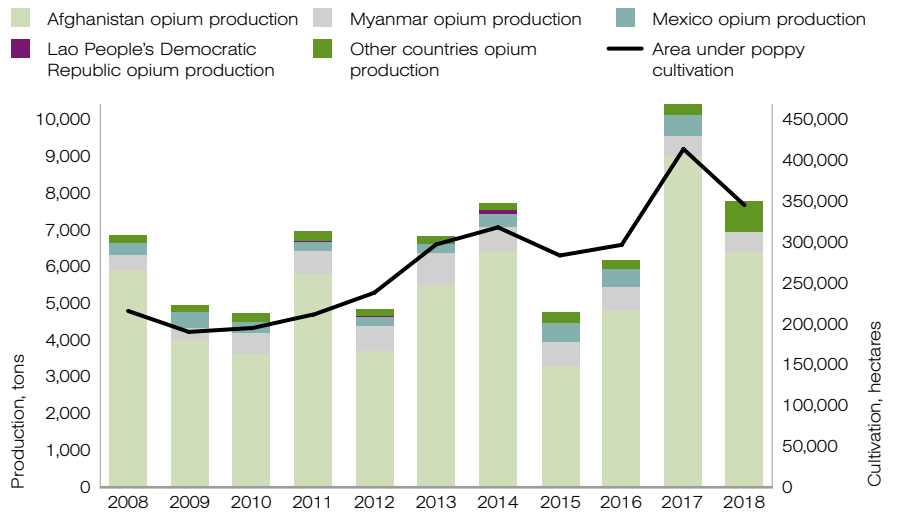
Trafficking routes in the Sahel, 2011–2017



Source: Conflict Armament Research<sup>68</sup>

## OPIUM POPPY CULTIVATION AND PRODUCTION

Opium poppy cultivation and production of opium, 2008–2018

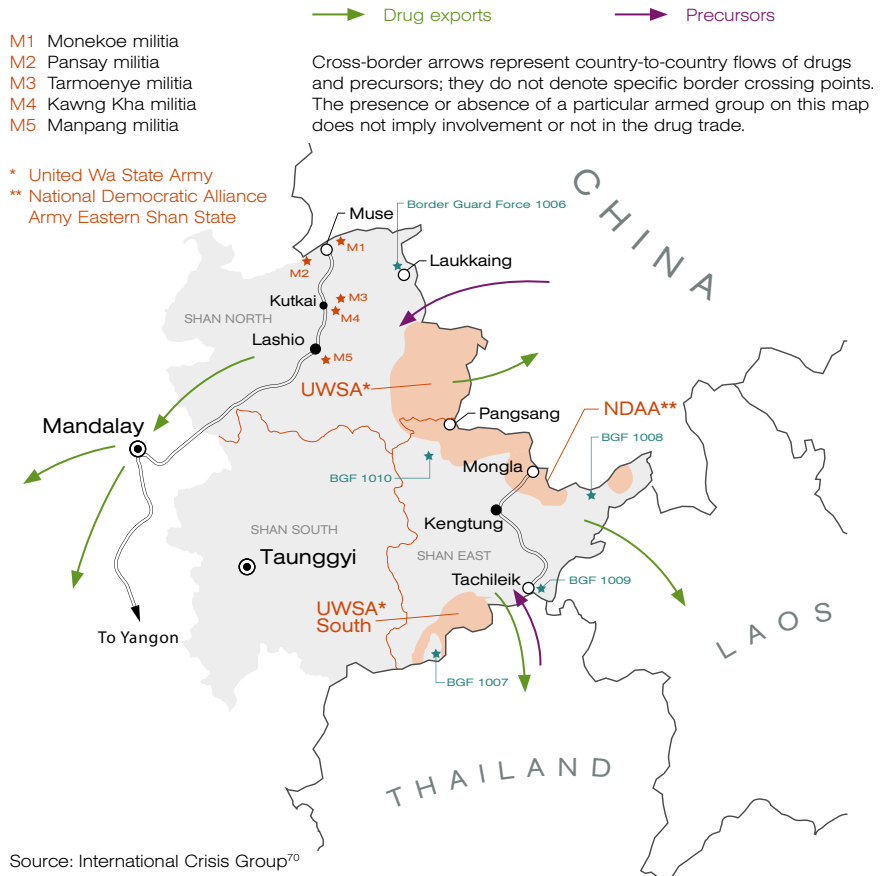


Source: United Nations Office on Drugs and Crime<sup>69</sup>



## CONFLICT AND DRUGS IN MYANMAR'S SHAN STATE

Key locations and trade routes, 2018



Source: International Crisis Group<sup>70</sup>

## ARMED GROUPS AND INCOME SOURCES IN COLOMBIA IN THE POST-FARC CONTEXT

When the Revolutionary Armed Forces of Colombia (FARC) demobilized in 2017, 1,200 fighters rejected the peace process and remained in the field.<sup>71</sup> In the new post-FARC structure, several groups and individuals are active. They are funded by organized crime activities, predominantly through illicit drugs (production, taxing, transporting, smuggling), extractives (coltan and gold, and illegal logging), and extortion.<sup>72</sup>

The six most significant non-ex-FARC groups number at least 5,000 persons, funded by cocaine and, increasingly, gold mining. The 1st and the 7th Fronts are the biggest groups, with 300 to 400 and 70 to 500 fighters, respectively. The ex-FARC armed groups are located in Meta, Guaviare, and with extensions to Vichada and Arauca on the Venezuelan border, Vaupes and the Brazilian border, and Putumayo and the Ecuadorian and Peruvian borders in particular. They also have presence on the Pacific coast, particularly in Choco, Antioquia, and Cordoba. Non-ex-FARC groups have a strong presence, too, especially the ideologically motivated National Liberation Army (ELN), 1,500–1,800 strong and funded by both drug production and drug trafficking. The Popular Liberation Army (EPL) is relatively large, too. Their motivation is somewhat unclear, but they lean in the Marxist direction and are about 200 strong, also funded by drug trafficking.

Neo-paramilitaries survive in the form of the Gaitanistas/Urabeños/Gulf Clan, between 3,000 and 3,500 strong. In total, there are around 13 so-called *Bandes Criminales Emergentes*. In the vacuum of FARC dissolution, dissidents have seized former FARC income sources, and new modes of governance are introduced in local areas, with an increase in violence. Once control is consolidated and the criminal market stabilizes, like in Meta Province, violence levels drop.<sup>73</sup> Illicit crops, chemical drugs, and their associated logistical operations are worth about USD 13 billion across Colombia or 4 percent of GDP. With unemployment running to 70 percent in some areas, recruitment is easy.

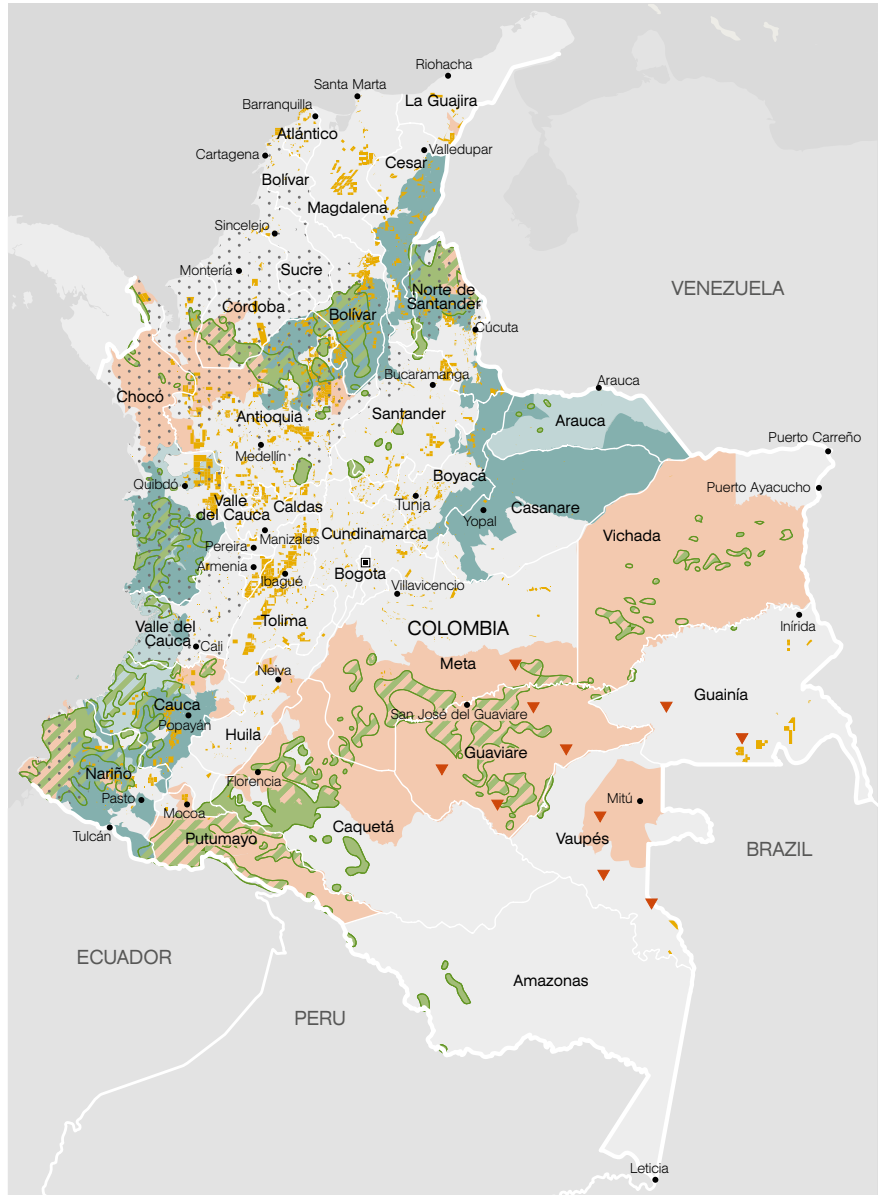
In addition, Mexican cartels have also moved in for direct relationships with the fragmented armed groups to secure their supply. For example, the Zetas, Sinaloa, and Jalisco New Generation Cartels have a presence in at least 10 regions.<sup>74</sup> With FARC demobilization, deforestation has increased by 44 percent.<sup>75</sup> Often, farmers are paid for clearing land for their crops by producing coca in the first years, followed by subsequent clearing for crops and livestock.

Source: RHIPTO Norwegian Center for Global Analyses<sup>76</sup>



**ARMED GROUPS,  
COCA CULTIVATION  
AND GOLD MINING  
IN COLOMBIA**

Presence of armed groups overlaid with coca cultivation and gold mining concessions, 2019



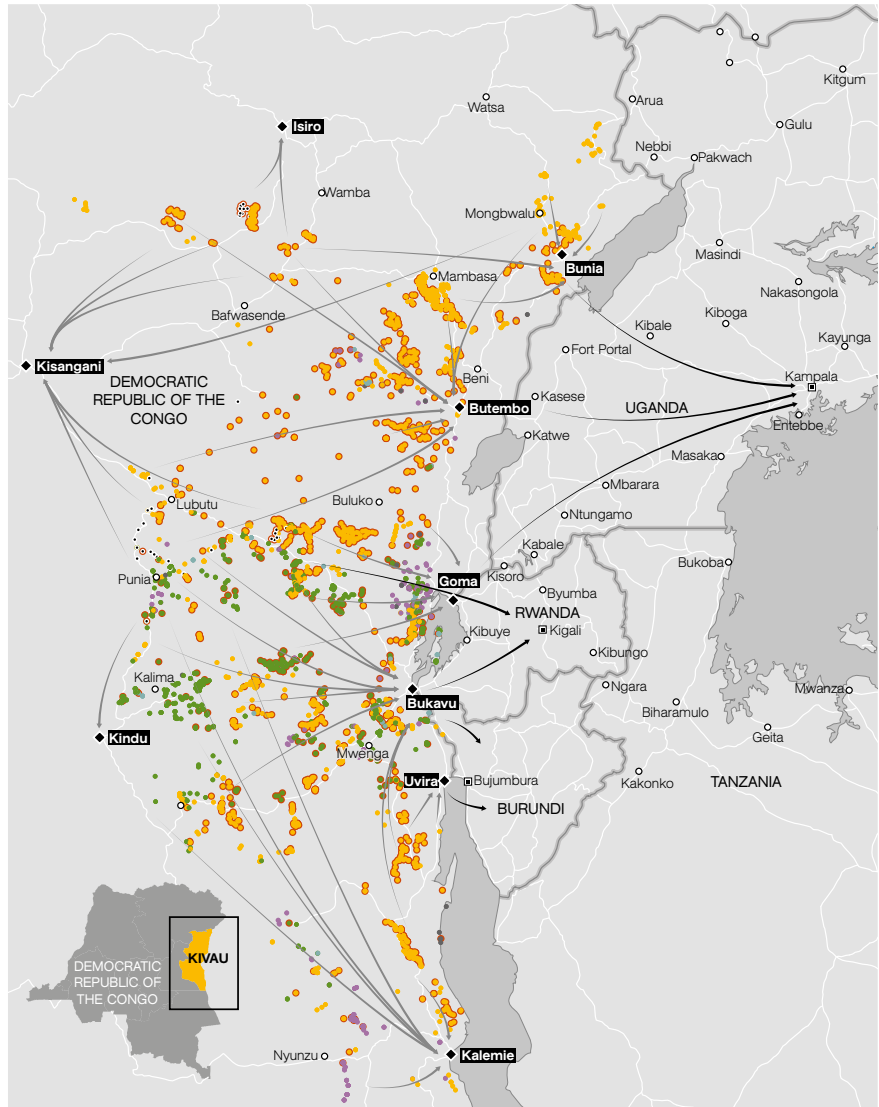
- | Armed groups                  | Ressources and economies  |
|-------------------------------|---------------------------|
| ■ EX-FARC groups presence     | ■ Gold mining concessions |
| ▼ FARC's 1st Front dissidents | ■ Coca cultivation        |
| ■ ELN Presence                |                           |
| ■ ELN and EX-FARC presence    |                           |
| ■ Other criminal groups       |                           |

Source: RHIPTO Norwegian Center for Global Analyses<sup>77</sup>



MINING, ARMED GROUPS, AND CONFLICT IN THE GREAT LAKES REGION

Artisanal mining, armed groups and mineral trafficking in Kivu, DRC, 2019



Artisanal mining sites

- Gold
- Diamonds
- Wolframite
- Coltan
- Cassiterite
- Other
- Site impacted by a local armed group or rebel group

Trafficking of minerals

- Final destination in DR Congo
- Export to foreign country

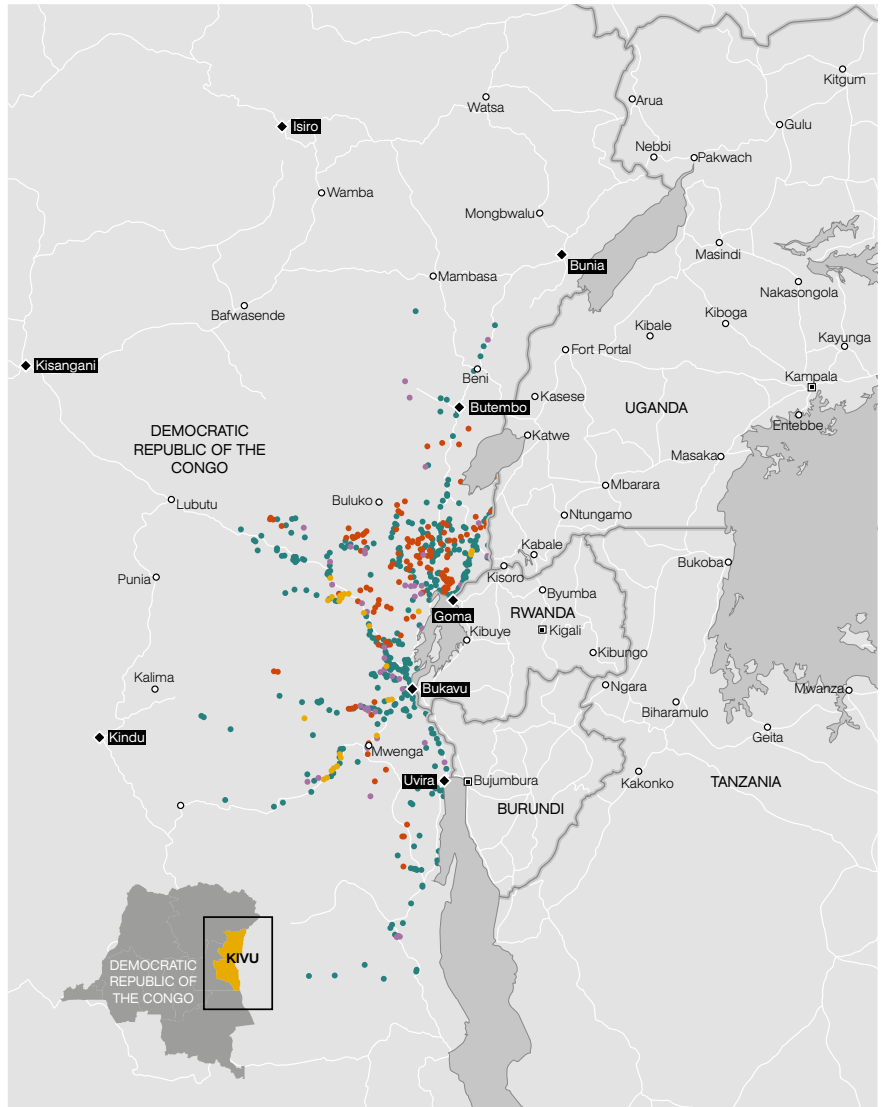


Source: RHIPTO Norwegian Center for Global Analyses<sup>78</sup>



**CONTROL OF ROAD BLOCKS IN MINING AREAS IN THE GREAT LAKES REGION**

Road blocks in a dense artisanal mining area in Kivu, DRC, 2019



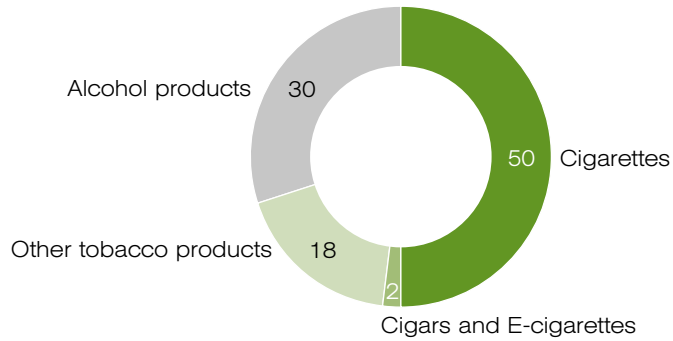
- Road blocks controlled by..
- Armed groups
  - State authorities
  - Armed Forces of the Democratic Republic of the Congo (FARDC)
  - Independent elements
- ◆ City ◆ Main end destination for Kivu minerals in DR Congo

Source: RHIPTO Norwegian Center for Global Analyses<sup>79</sup>



**CUSTOMS SEIZURES OF ILLICIT ALCOHOL AND TOBACCO PRODUCTS**

Seizures by product, 2017, percent\*



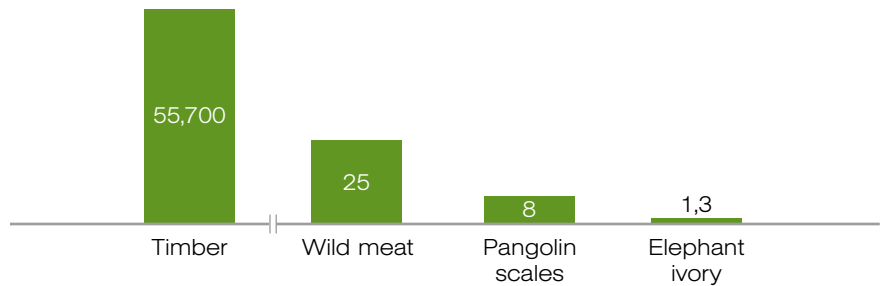
\* Based on 12,228 cases reported by 91 customs administrations to the World Customs Organization  
Source: World Customs Organization<sup>80</sup>

**TACKLING ILLEGAL TRADE IN WILDLIFE AND TIMBER: OPERATION THUNDERSTORM**

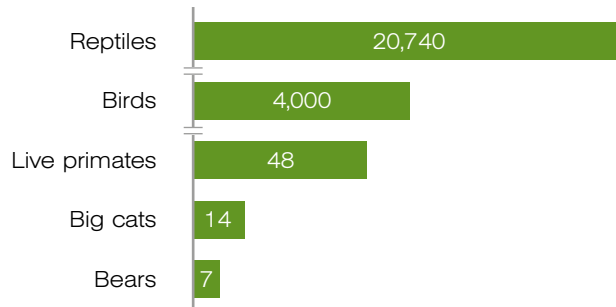
Operation Thunderstorm (May 2018) was coordinated by INTERPOL and the World Customs Organization, in conjunction with the International Consortium on Combating Wildlife Crime.



Goods seized, May 2018, tons



Goods seized, May 2018, individual pieces



Source: INTERPOL<sup>81</sup>

## A MODEL DRUG LAW FOR WEST AFRICA

West Africa is affected by drug trafficking, but drug use has increased, too. Current drug laws emphasize harsh penalties for people who use drugs, drawing resources away from addressing transnational organized crime.

After receiving requests for advice, the West Africa Commission on Drugs, an independent high-level group convened by Kofi Annan, produced the Model Drug Law for West Africa in 2018. It complies with the three international drug conventions and complements the Economic Community of West African States (ECOWAS) regional action plan.

The Model Law provides thresholds for the decriminalization of possession for personal use and guidelines for proportionate sentencing with mitigating as well as aggravating factors. It suggests linking the efforts against drug trafficking more closely with those against organized crime, anti-money laundering, and anti-corruption. The document has been discussed with several governments in the region already and has received positive reactions from ECOWAS.

Source: Global Commission on Drug Policy;  
West Africa Commission on Drugs<sup>52</sup>





# People

```
mirror_mod.use_x = False
mirror_mod.use_y = True
mirror_mod.use_z = False
cooperation = True
mirror_mod.use_x = False
mirror_mod.use_y = False
mirror_mod.use_z = True transnational
threats.tsr.msc
#selection at the end -add back the deselected mirror modifier o
mirror_ob.select= 1 illicit flows
modifier_ob.select=1
bpy.context.scene.objects.active = modifier_ob
print("Selected" + str(modifier_ob)) #modifier ob is the active ob
modifier_ob.select = 0
```

# People: Profit and Loss

“Trafficking of minors is the lowest and most vile crime against those who need our protection most.”<sup>38</sup>

**DIMITRIS AVRAMOPOULOS,**  
18 OCTOBER 2018

“The only effective way to manage the migratory flows affecting all of our continents in an orderly, controlled fashion is to create the conditions for a type of international mobility that is freely chosen, not imposed; to work together, whether we are countries of origin, of transit or of destination, to tackle the deep causes of such migration, especially when it is imposed; to dismantle networks of traffickers, which are the worst scourge in this situation.”<sup>39</sup>

**EMMANUEL MACRON,**  
25 SEPTEMBER 2018

One of the most heinous forms of illicit trade is the trafficking and exploitation of human beings for profit, involving forced labor and sexual exploitation. Sadly, it is also one of the most profitable ones: experts rank human smuggling and trafficking as the fourth largest global crime sector, with an annual revenue of at least USD 157 billion,<sup>1</sup> almost one-tenth of the Sub-Saharan region's GDP in 2018.<sup>2</sup> Given the scale of profits, human trafficking has, like other illicit activities, become increasingly attractive to non-state armed groups and terrorist entities.<sup>3</sup>

As it provides an income source for armed groups that are often involved in the parallel trafficking of various goods, human trafficking can perpetuate conflicts.<sup>4</sup> This is because traffickers' ways of operating and related “protection economies”<sup>5</sup> shape local balances of power.<sup>6</sup> On the flipside, “war and conflict enable human trafficking to thrive”:<sup>7</sup> individuals are more easily exploited in the context of deteriorating rule of law or full-on state collapse, forced displacement, and humanitarian need.<sup>8</sup> As experts expect the current number of 66 million displaced people worldwide to increase to up to 320 million by 2030, human trafficking will likely continue to increase in relevance for years to come.<sup>9</sup> The clandestine movement of people in the opposite direction – e.g., of foreign fighters into conflict zones – also has inherent security consequences.<sup>10</sup>

Data on human trafficking is notoriously difficult to obtain, given the high number of unreported cases. Reported cases, such as those collected by the IOM and UNODC, have ranged in the hundreds of thousands for the past two decades.<sup>11</sup> A truly global problem, human trafficking also affects individuals from seemingly peaceful regions: Out of the almost 21,000 victims registered in the EU-28 between 2015 and 2016, 44 percent were EU citizens.<sup>12</sup> Despite considerable regional differences in gender and age, women and girls constitute almost three quarters of trafficking victims identified globally.<sup>13</sup> Many victims of trafficking find themselves in one of the various forms of modern slavery, which entrap an estimated 40 million people worldwide.<sup>14</sup>

While global detection and reporting rates increased by 40 percent between 2011 and 2016, the problem is far from under control:<sup>15</sup> Victims trafficked from sub-regions with low detection and conviction rates surface in large numbers elsewhere and traffickers still operate with apparent impunity.<sup>16</sup>

Such impunity is particularly salient where state structures are weak. Much like other forms of trafficking, human trafficking and conflict can create a toxic mixture: Armed conflict facilitates exploitative situations from sexual and labor enslavement to the recruitment of child fighters.<sup>17</sup> States and organizations controlling territory have used human trafficking to raise funds and support their activities, with ISIS enslaving Yazidi women and girls in its “Caliphate” and trafficking them across the region.<sup>18</sup> As ISIS retreats, many victims are being traded on by crime groups.<sup>19</sup>

“In the 21st century, in the age of globalization and human rights, more than 6,500 Yazidi children and women became captive and were sold, bought, and sexually and psychologically abused.”<sup>40</sup>

**NADIA MURAD,**  
**10 DECEMBER 2018**

“Trafficking in persons is a vile crime that feeds on inequalities, instability and conflict. Human traffickers profit from peoples’ hopes and despair. They prey on the vulnerable and rob them of their fundamental rights.”<sup>41</sup>

**ANTÓNIO GUTERRES,**  
**30 JULY 2018**

North Korea stands out as the most prominent example of state-sponsored human trafficking, with Pyongyang reportedly subjecting its citizens to forced labor abroad, notably in China, to fund the regime and its further illicit activities.<sup>20</sup>

As instability and conflict lead to increased numbers of people trying to cross borders, many become an easy target for traffickers, who know they will be less likely to seek help from authorities because they fear being returned – especially where the de facto authorities are directly or indirectly involved in trafficking.<sup>21</sup> For example, individuals smuggled by the Sudanese Rapid Support Forces (RSF) to Libya reported that the RSF systematically “sold” them to Libyan traffickers, Chadian rebels, and Toubou militias in the Sudan-Libya borderlands.<sup>22</sup>

This trafficking of people, particularly those exploited against their will, clearly generates financial and political clout. Given that the International Labour Organization (ILO) has estimated proceeds from sexual exploitation alone to be in the region of USD 99 billion,<sup>23</sup> investigators are increasingly focusing on tracing the associated financial flows. EUROPOL found that profits from the trafficking of underage victims were mainly redirected to suspects’ countries of origin; they used money transfer services for smaller amounts and criminal couriers or mules for larger sums.<sup>24</sup> In addition, technological advances have opened up new operating models: trafficking networks lure victims on social media<sup>25</sup> and messaging services double as slave auction platforms.<sup>26</sup>

However, as is also true for other illicit activities, priorities also change depending on expediency. The human smuggling and trafficking industry in Libya, which grew substantially between 2012 and 2017, folded as militias reassessed their exposure amid international attention. The remaining smuggling operations are even more clandestine and susceptible to extortion and forced labor.<sup>27</sup>

As traffickers continue to exploit victims with impunity in many parts of the world, multilateral actors have reiterated the need to counter these crimes. This has led to a commitment by G20 leaders<sup>28</sup> and a pledge by 193 countries to end human trafficking and modern slavery by 2030 as part of the Sustainable Development Goals.<sup>29</sup> Regional approaches are adding to this, such as the OSCE’s Action Plan around the prevention, prosecution, and protection of victims and cross-sector partnerships.<sup>30</sup> Recent efforts have especially focused on improving data availability<sup>31</sup> and countering conflict-related trafficking. Initiatives such as the Financial Sector Commission on Modern Slavery also emphasize the need for private sector involvement to disrupt financial flows derived from trafficking and supply chains based on forced labor.<sup>32</sup>

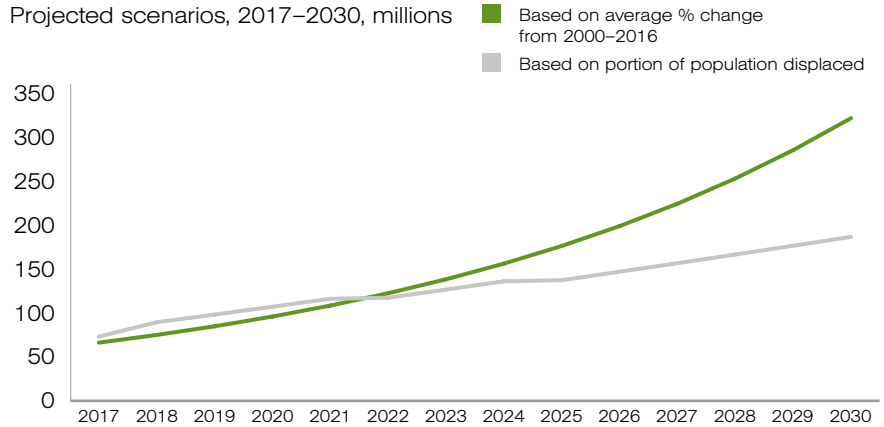
However, despite the increasing attention paid to smuggling networks – such as in Europe in the context of the migration debate – critics have argued that many of the most affected states still have little understanding of their vulnerability to human trafficking’s implications for their broader security and stability.<sup>33</sup> Until then, many unknown numbers of victims will likely continue to suffer in the shadows.

## Recommendations

- 1. Continue efforts to improve reporting rates and data availability** to provide decision-makers with an adequate overview of human trafficking dynamics, including evolving routes, traffickers' ways of operating and typical sectors of exploitation.<sup>34</sup>
- 2. Further expand information sharing among institutions across various levels** – national, regional, and international – and sectors, from law enforcement to other security actors and anti-trafficking NGOs.
- 3. Increase the investigation of the illicit** financial flows generated by human trafficking and the link to other illicit activities, including through private sector involvement where appropriate.
- 4. Continue to expand capacity to counter human trafficking in both conflict and non-conflict situations**, building on ongoing efforts by organizations such as INTERPOL and UNODC to increase awareness of human trafficking and to handle and investigate trafficking cases,<sup>35</sup> including as part of pre-deployment trainings for UN and other peacekeeping personnel with the aim of improving identification and reporting of trafficking cases in conflict and post-conflict settings.<sup>36</sup>
- 5. Work towards increased prosecution rates of traffickers**, including through toolkits for building legal cases,<sup>37</sup> to reduce trafficking's attractiveness as an income source for actors from organized crime to terrorism.



GLOBAL DISPLACEMENT SCENARIOS

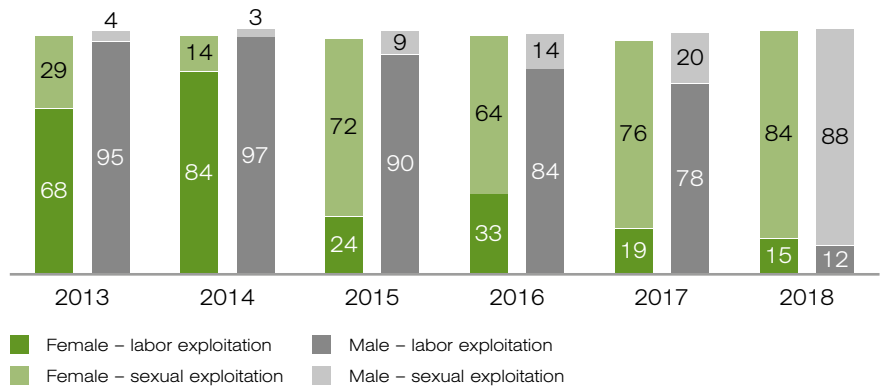


Source: Center for International and Strategic Studies<sup>42</sup>



WHO IS BEING TRAFFICKED FOR WHAT PURPOSE?

Main types of human trafficking and gender distribution of identified victims, 2013–2018, percent, rounded



Source: IOM Counter-Trafficking Data Collaborative<sup>43</sup>

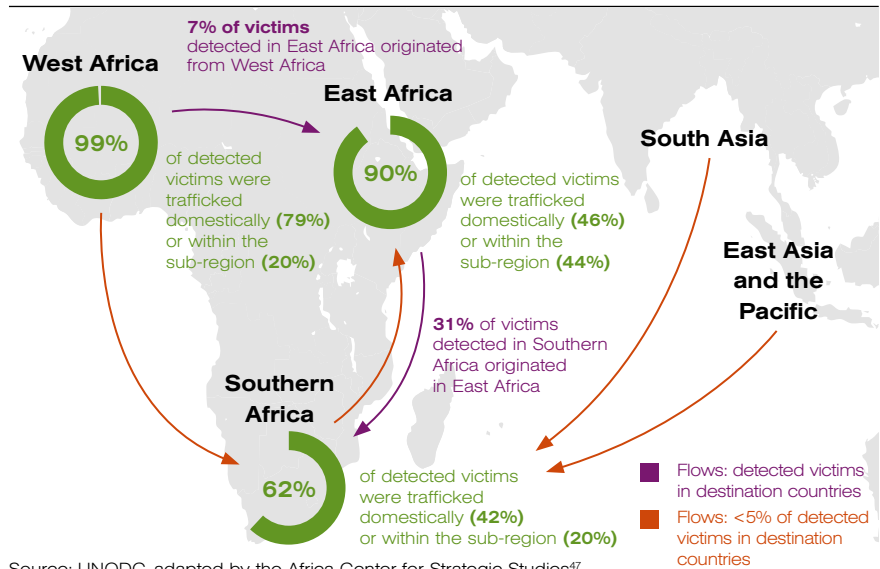
“HUMAN TRAFFICKING” VS. “SMUGGLING”

The two terms have become blurred in situations on the ground and public debate. As some experts argue, while both can involve recruitment and movement of people across borders, “the point of distinction usually made is whether the people are willing participants in the process and in the final outcome.”<sup>44</sup>

Trafficking in persons can take place within a state or transnationally. It can be characterized as a violation of individuals’ rights, compared to human or migrant smuggling as a violation of state sovereignty related to illegal border crossing. While the latter does not require exploitation or coercion,<sup>45</sup> smuggled persons’ rights may also be violated. This report focuses mostly on human trafficking, although criminal networks in many instances also profit from human smuggling.

Source: Munich Security Conference, based on Global Initiative against Transnational Organized Crime and IOM<sup>46</sup>

ORIGINS OF  
TRAFFICKING  
VICTIMS DETECTED  
IN SUB-SAHARAN  
AFRICA



Source: UNODC, adapted by the Africa Center for Strategic Studies<sup>47</sup>

FIVE MYTHS OF  
HUMAN TRAFFICKING

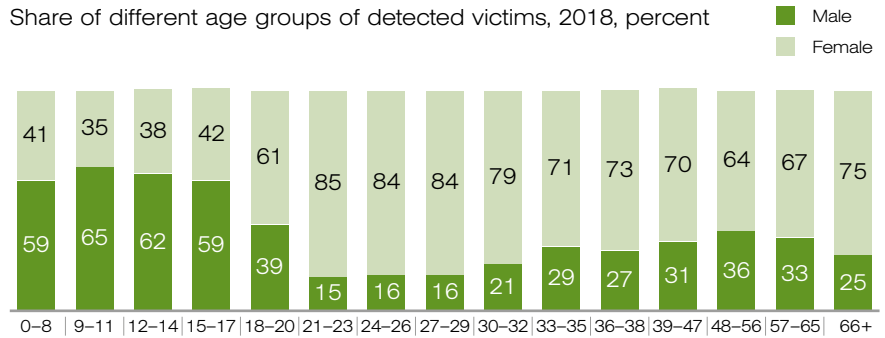
- 1 **Myth: Human smuggling is the same as human trafficking.** While both are illegal, smugglers illegally transport people across international borders for a fee. Traffickers,<sup>48</sup> through duplicity or force, take control of people for exploitation or economic gain.
- 2 **Myth: Trafficking in Africa only happens to migrants trying to get to Europe.** Trafficking need not entail crossing international borders. Upwards of 67 percent of Sub-Saharan African trafficking victims were trafficked within their countries of origin<sup>49</sup> and more than 90 percent never left the continent.
- 3 **Myth: Only young African women are trafficked, and into prostitution.** Males make up the majority of children trafficked, often involved in forced begging and labor. Females make up the majority of adult victims, often trafficked for domestic labor and prostitution. In fact, more Africans are trafficked for labor exploitation<sup>50</sup> – particularly domestic work, agriculture, and manufacturing – than for sex work. An estimated 3.5 million African adults and children are victims of trafficking for labor.<sup>51</sup> More than half are held in peonage, the use of debt to trap victims into continued servitude. An estimated 400,000 African adults and children are victims of sexual exploitation.<sup>52</sup>
- 4 **Myth: All trafficking occurs from the point of origin.** Trafficking is primarily a function of vulnerability.<sup>53</sup> Many potential victims are vulnerable due to chronic poverty, instability resulting from conflicts or natural disasters.<sup>54</sup> Criminal groups and individual traffickers find many victims when they are on the move.
- 5 **Myth: Human trafficking is run by global organized crime syndicates.** While sophisticated transnational trafficking rings exist, such as from Nigeria to Italy and other European countries, the majority of traffickers are from their victims' country or region. What appears most common in Africa is the tricking or forcing of vulnerable individuals to submit themselves or their children to domestic traffickers servicing a demand for cheap or disposable labor in sometimes hazardous conditions.

Source: Africa Center for Strategic Studies<sup>55</sup>



**GENDER AND AGE OF TRAFFICKING VICTIMS IN AFRICA**

Share of different age groups of detected victims, 2018, percent



Note: Data comes from 10 African countries that provide IOM's largest caseload of direct assistance to trafficking victims on the continent.

Source: Counter-Trafficking Data Collaborative (CTDC), adapted by the Africa Center for Strategic Studies<sup>56</sup>

**KEY FACTS ON THE CURRENT DISPLACEMENT SITUATION IN AFRICA**

The **12 African countries** currently facing armed conflict account for nearly **90 percent of the 24 million forcibly displaced people** on the continent

Upwards of **600,000 new displacements** have been recorded by the Internal Displacement Monitoring Centre each year since 2008 due to environmental disasters

Ethiopia, Nigeria, and Niger experienced the majority of recorded disasters – Niger, among the environmentally most fragile, is expected to see its **population triple by 2050**

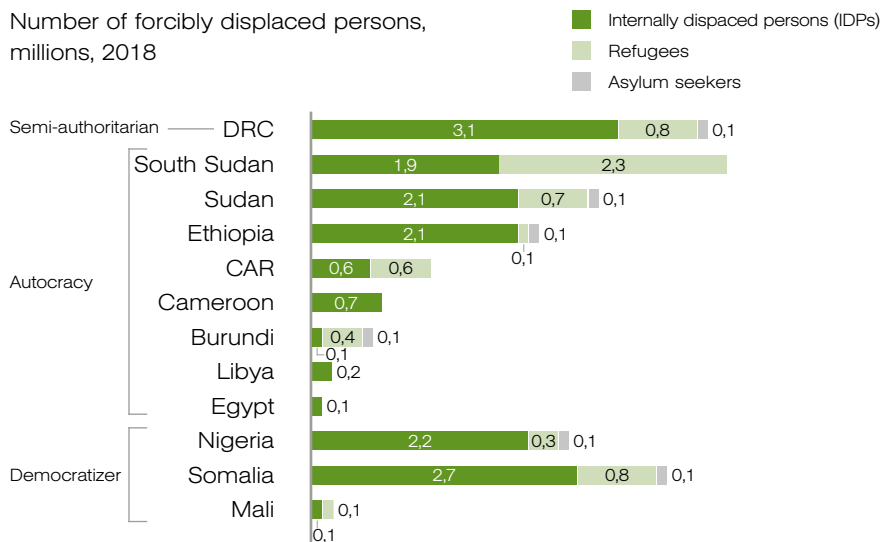
The number of migrants and refugees in known Libyan detention centers nearly doubled<sup>57</sup> from **5,000 to 9,300 between 2017 and 2018**

**Key facts on displacement in Africa**

Source: Africa Center for Strategic Studies<sup>58</sup>

**DISPLACEMENT IN AFRICAN COUNTRIES EXPERIENCING ARMED CONFLICT**

Number of forcibly displaced persons, millions, 2018

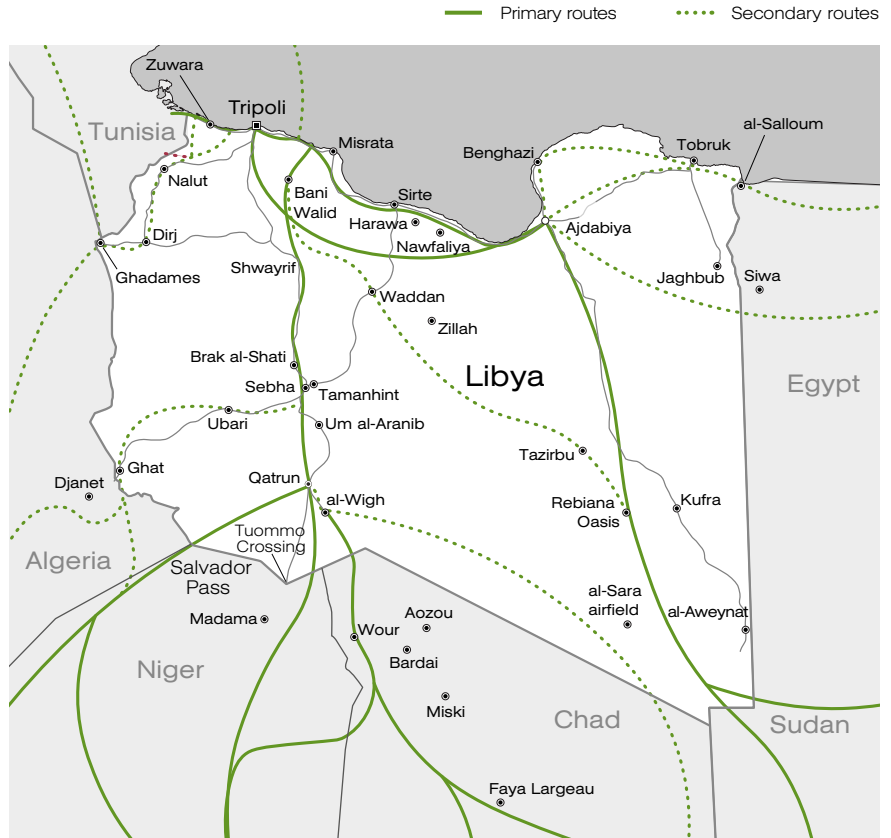


Source: Africa Center for Strategic Studies<sup>59</sup>



### HUMAN SMUGGLING AND TRAFFICKING IN LIBYA: KEY ROUTES AND HUBS

Overview of key routes and hubs in Libya and surrounding area



Source: Global Initiative against Transnational Organized Crime<sup>64</sup>



## THE POLITICAL ECONOMY OF HUMAN SMUGGLING AND TRAFFICKING IN LIBYA

The human smuggling industry of Libya and the central Sahel has seen an extraordinary reversal since 2017, following rapid expansion across this geography in the aftermath of the Libyan revolution of 2011. Between January and April 2019, around 2,400 irregular migrants departed from Libya, a staggering 94 percent drop from the 40,600 for the same period in 2017.<sup>60</sup>

Libya's coastal smuggling system started collapsing in July 2017. Departures west of Tripoli plummeted after a militia<sup>61</sup> deeply involved in human smuggling in the coastal town of Sabratha stopped sending boats and switched to policing, blockading the west coast with an armed group performing coastguard duties in neighbouring Zawiya.<sup>62</sup>

Both militias had been co-opted by the Government of National Accord (GNA) as part of Tripoli's broader commitment with Italy and the EU to stem migratory flows. These pivotal events were part of a gradual disengagement of militias from human-smuggling as their leaders came to prioritize long-term legitimacy: Libyan public opinion, press exposure, the UN Security Council and EU's focus on stemming irregular migration made people smuggling toxic for reputations.<sup>63</sup>

The EU's aid-for-migration-control strategy adopted at the Valletta Summit 2015 also boosted law enforcement against human smuggling in Niger and Sudan, drastically reducing the numbers arriving in Libya and amplifying the impact of the changes along the coast.<sup>64</sup>

In spite of the current instability in Libya, the short- to mid-term outlook remains stable as the human-smuggling infrastructure feeding the Central Mediterranean has been critically damaged.

Source: Global Initiative against Transnational Organized Crime<sup>65</sup>





# Finance

```
mirror_mod.use_x = False
mirror_mod.use_y = True
mirror_mod.use_z = False
cooperation = True
mirror_mod.use_x = False
mirror_mod.use_y = False
mirror_mod.use_z = True
threats.tsr.msc
#selection at the end -add back the deselected mirror modifier o
mirror_ob.select= 1 illicit flows
modifier_ob.select=1
bpy.context.scene.objects.active = modifier_ob
print("Selected" + str(modifier_ob))
modifier_ob is the active ob
mirror_ob.select = 0
```

# Finance: Dirty Laundry

“Corruption is present in all countries, rich and poor, North and South. [...] It undermines the rule of law and abets crimes such as the illicit trafficking of people, drugs and arms. Tax evasion, money laundering and other illicit flows divert much-needed resources for sustainable development.”<sup>37</sup>

**ANTÓNIO GUTERRES,**  
9 DECEMBER 2018

“[F]unds received through corruption are often funds concealed outside the country – often in the financial sectors of major capitals. It is quite possible for countries to have ‘clean hands’ at home but ‘dirty hands’ abroad.”<sup>38</sup>

**CHRISTINE LAGARDE,**  
22 APRIL 2018

Nowadays, large and small amounts of money can be transferred within a matter of seconds, boosting both licit and illicit business. As regulations and law enforcement struggle to keep up, illicit financial flows (IFFs) – cross-border flows of money that are transferred, earned, or used in an illegal way<sup>1</sup> – are thriving. The size of even single IFFs is astonishing: In 2018, it was revealed that over less than a decade, one branch of the Danish firm Danske Bank in Estonia had laundered as much as USD 230 billion.<sup>2</sup> Such sums enable violent actors – criminal organizations and terrorists, but also rogue states – to safeguard their profits and sustain their operations. At the same time, IFFs drain state budgets, foster corruption, and undermine national economies. In the worst-case scenario, this leaves governments unable to adequately protect their citizens from harm.

While the exact global extent of IFFs is unknown, the International Monetary Fund (IMF) estimates the annual amount of money laundered in the world to range between 2 and 5 percent of global GDP<sup>3,4</sup> – in 2018, this was USD 1.7–4.2 trillion.<sup>5</sup> Even the lower estimate is on par with current global military spending.<sup>6</sup> Recovering IFFs is often unsuccessful because it is complicated and time-consuming:<sup>7</sup> The UN estimates that less than 1 percent of IFFs are actually seized.<sup>8</sup> EUROPOL data supports this assessment.<sup>9</sup> Hence, unlawful businesses are highly profitable compared to typical legal businesses, which paid an average worldwide corporate income tax of 26 percent in 2018.<sup>10</sup> Despite the challenges involved, “following the money” can pay off, as the more than USD 1.2 billion that has so far been recovered as a result of the 2016 Panama Papers investigation into off-shore financing schemes shows.<sup>11</sup>

The level of danger resulting from IFFs is not always proportionate to their size. Even small sums are sufficient to plan and execute terrorist attacks but also to spread propaganda and engage in terrorist recruitment.<sup>12</sup> Consequently, mapping and disrupting these flows is crucial in order to prevent incidents and identify networks facilitating terrorism.<sup>13</sup> In response to the 9/11 attacks, a sophisticated counter-terrorist financing regime emerged.<sup>14</sup> However, as it remains largely focused on Islamist terrorism and the formal financial system, it may be less effective in countering recent trends, such as home-grown terrorism, low-tech attacks requiring little to no external funding, or right-wing terrorism.<sup>15</sup> Furthermore, the overwhelming majority of terror attacks occur in countries experiencing conflict, where cash is still paramount.<sup>16</sup> Indeed, some experts argue that the most important disruptions of ISIS financing – other than restricting its territory – were targeted air strikes on its cash depots in 2016.<sup>17</sup>

Another factor undermining the efficiency of efforts to counter terrorist financing and other IFFs is their lack of cohesion.<sup>18</sup> There are a number of frameworks that deal with different aspects of the problem, such as the Financial Action Task Force (FATF) – an intergovernmental body that sets and monitors international standards on anti-money laundering measures. However, as there is no overarching global regime covering all aspects of IFFs, it is mainly up to individual governments to



set priorities, often in a highly political way, and to implement counter measures. This results in a patchy regulatory landscape, a fact that can be exploited by malicious actors.<sup>19</sup>

“Corruption chips away at democracy to produce a vicious cycle, where corruption undermines democratic institutions and, in turn, weak institutions are less able to control corruption.”<sup>39</sup>

**PATRICIA MOREIRA,  
29 JANUARY 2019**

Some states also use IFFs as an instrument of their foreign and defense policy, blurring the line between state and non-state actors: Lax rules are exploited to stash illicit money abroad, and this is used for operations, to buy influence through political donations and obscure state influence.<sup>20</sup> In London, a favorite for Russian money and asset laundering, a 2018 report by the House of Commons Foreign Affairs Committee stated that illicit Russian financial assets in the UK may be called upon at any time to “support President Putin’s campaign to subvert the international rules-based system.”<sup>21</sup> Another example is North Korea, which uses IFFs to evade sanctions and fund its nuclear weapons program, a critical threat to international security.<sup>22</sup> Since 2016, cyberattacks have become an important source of revenue for the DPRK, adding to its existing illicit trade activities.<sup>23</sup> Between January 2017 and September 2018 alone, North Korean hackers stole an estimated USD 571 million during five attacks on cryptocurrency exchanges.<sup>24</sup>

Cryptocurrencies are in fact the newest front in the fight against IFFs. They facilitate purchases on illicit Dark Web markets, offering a way of transferring money more or less anonymously. Contrary to what some fear, virtual currencies are not widely used by terrorist groups yet, as they offer relatively few operational advantages in comparison to other methods such as Hawala banking – which circumvents the formal financial sector – or simple wire transfers. However, with further technological innovations on the horizon, the threat could intensify significantly in the future.<sup>25</sup>

“The proportion of dirty money in London is estimated to be small, relative to the size of the entire financial sector. The damage that this money can do to UK foreign policy interests, by corrupting our friends, weakening our alliances, and eroding trust in our institutions is, however, potentially enormous.”<sup>40</sup>

**UNITED KINGDOM HOUSE  
OF COMMONS FOREIGN  
AFFAIRS COMMITTEE,  
15 MAY 2018**

IFFs also undermine development efforts and exacerbate state fragility. For example, the African continent is estimated to have lost an average USD 73 billion annually between 2000 and 2015 alone from trade misinvoicing – a common IFF practice.<sup>26</sup> Some observers have even argued that more effective control of such flows could greatly reduce the need for development assistance.<sup>27</sup> The UN addressed the issue in its Agenda 2030 and included the significant reduction of IFFs in its Sustainable Development Goals.<sup>28</sup> Indeed, IFFs can have devastating effects on a country’s economic system with investments being curtailed and inflation rising.<sup>29</sup> Countries where IFFs are generated on a large scale thus suffer extensively from resource deficits due to insufficient taxes and other revenues. This may reduce a state’s ability to provide essential services to its citizens from healthcare to justice and security. At the same time, it undermines state legitimacy and contributes to a vicious circle of violence, corruption, crime and a lack of good governance,<sup>30</sup> which is especially harmful for states that are already fragile. In extreme cases, the state may no longer be able to respond to health emergencies such as epidemics or to counter violent actors challenging the state – often with regional or even global repercussions.<sup>31</sup> In fact, IFFs play a critical role in sustaining conflicts by providing funding for armed actors and financial incentives for actors more generally to obstruct conflict resolution by making war more profitable than peace.<sup>32</sup>

Last but not least, IFF destination countries have to come to terms with their own role in facilitating these flows. This goes beyond just tropical tax havens: countries such as the United Kingdom or Canada attract billions in IFFs due to regulatory loopholes exploited by criminals and other actors, often aided by professional service providers.<sup>33</sup> In some parts of the United States, less personal information

is needed to set up a potential shell company that obscures ownership structures than to obtain a library card.<sup>34</sup> As a result, the illicit money that is driving up real estate prices in big cities may also threaten global security.<sup>35</sup>

“This is a clash of civilizations between rule of law civilizations and autocracies and kleptocracies.”<sup>41</sup>

**SHELDON WHITEHOUSE,**  
**7 MAY 2019**

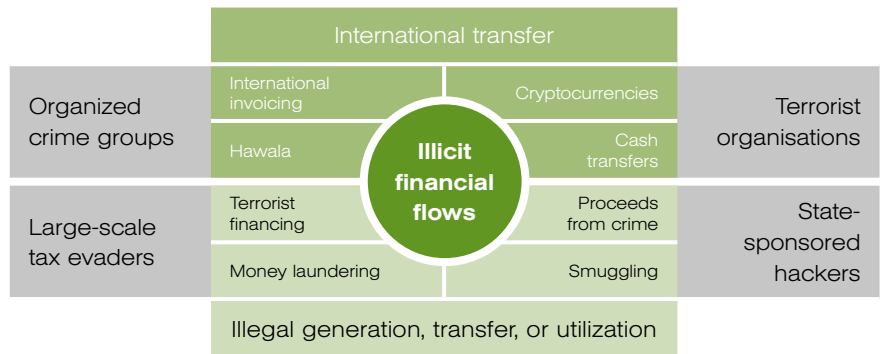
Awareness of these threats is rising around the world and in recent years significant strides have been made in many countries to improve efforts to combat IFFs – oftentimes due to pressure by civil society organizations and investigative journalists.<sup>36</sup> Digitization may also offer opportunities for better regulation. However, much remains to be done. Unilateral approaches are likely to trigger merely local or regional shifts, yet IFFs remain a global problem. Therefore, action needs to be taken in all affected nations, from countries of origin to those of transit and destination.

### Recommendations

1. **Improve data availability and analysis of illicit financial flows.** Without meaningful data, policy-makers are flying blind. Specifically, more information should be made publicly available in order to foster a valuable exchange between the public and the private sector as well as academia.
2. **Improve the exchange of tax information and report information on ultimate beneficial ownership** of companies and assets.
3. **Implement recommendations by the FATF and other institutions fully and enforce sanctions** against rogue actors.
4. **Strengthen national and multilateral law enforcement agencies’ investigative capacities and improve international cooperation between agencies.** Additionally, expand the confiscation of money derived through criminal means.
5. **Support countries lacking the capacities to maintain the integrity of their financial systems,** in order to stop illicit flows before they enter the international financial system.
6. **Support investigative journalism and civil society actors** engaged in uncovering and combatting illicit flows.
7. **Reduce silo-based approaches and adopt cross-sector solutions.** Include private actors such as banks or financial data providers in efforts to reduce IFFs.

**ILLICIT FINANCIAL FLOWS AND ACTORS**

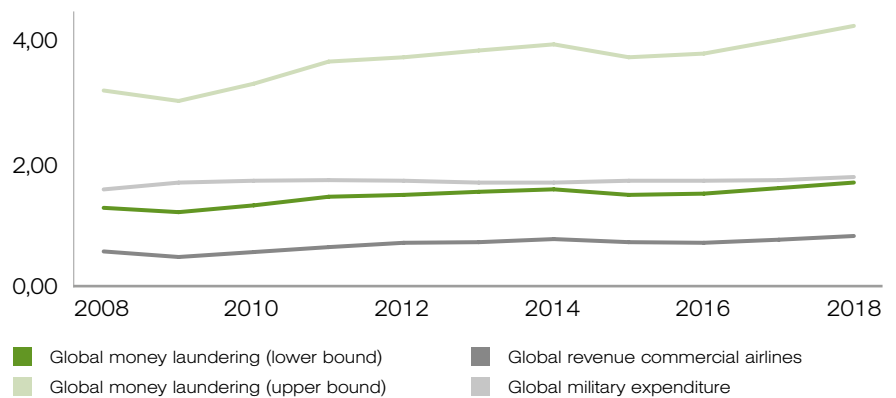
Characteristics of illicit financial flows and important actors



Source: EY, based on Center for Global Development<sup>42</sup>

**VOLUME OF MONEY LAUNDERING GLOBALLY**

Comparison of global money laundering estimates and selected revenue and expenditures, 2008–2018, USD trillion



Source: EY, based on IATA, ICAO, IMF and SIPRI<sup>43</sup>

**ILLICIT FINANCIAL FLOWS – HIGH RISK COUNTRIES I**

Trade misinvoicing inflows and outflows, countries with highest discrepancies, 2008–2018

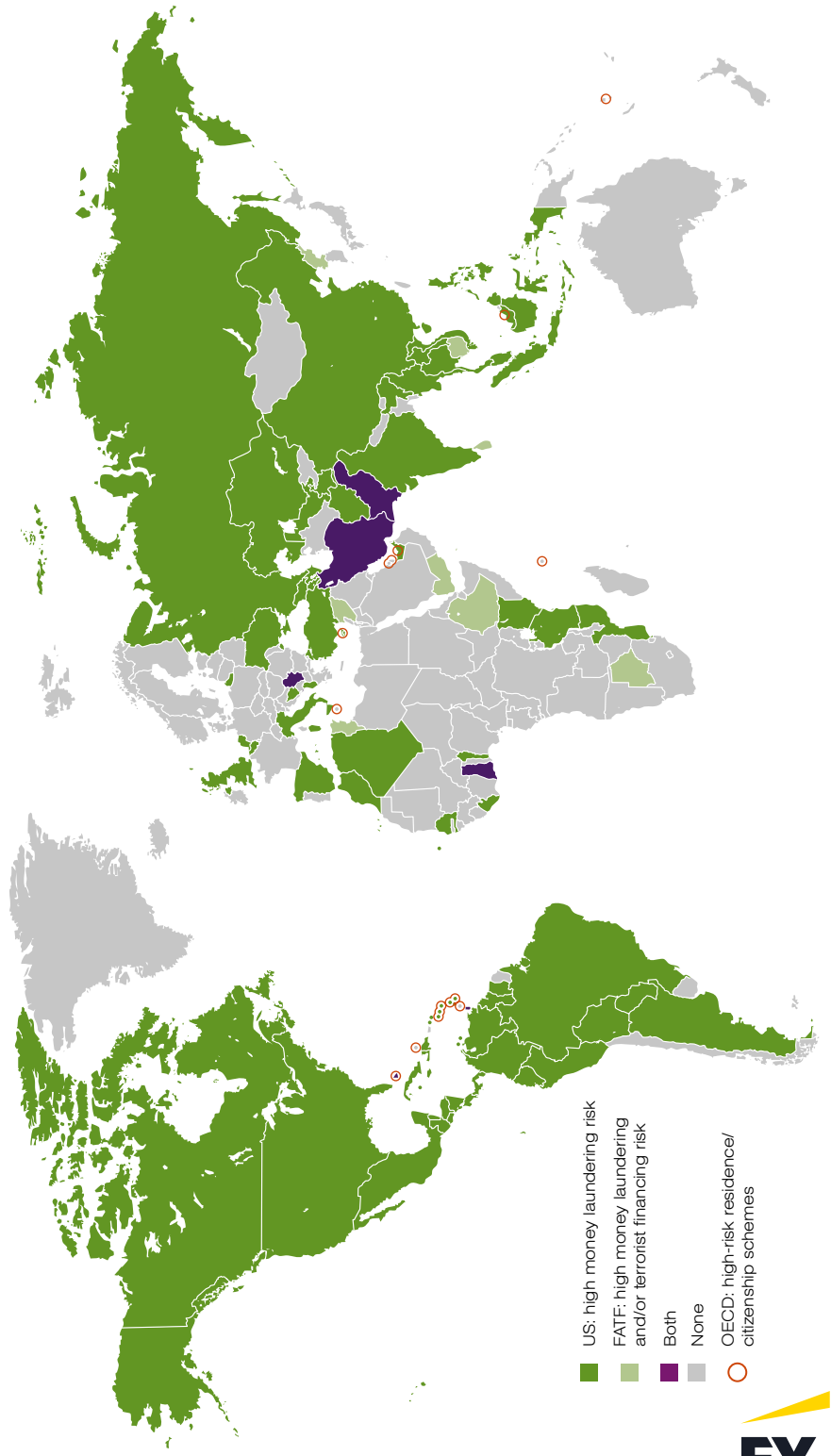
	Inflows	Outflows
1	Liberia	Democratic Republic of Congo
2	Panama	Timor-Leste
3	Afghanistan	Zimbabwe
4	Zambia	Sudan
5	Togo	Sierra Leone
6	Antigua and Barbuda	Bhutan
7	Dominica	Lesotho
8	Bahamas	Eritrea
9	Central African Republic	Uzbekistan
10	Benin	Mozambique

Source: EY, based on IMF<sup>44</sup>



ILLCIT FINANCIAL  
FLOWS – HIGH RISK  
COUNTRIES II

Countries included in US, FATF, and OECD risk assessments, 2019

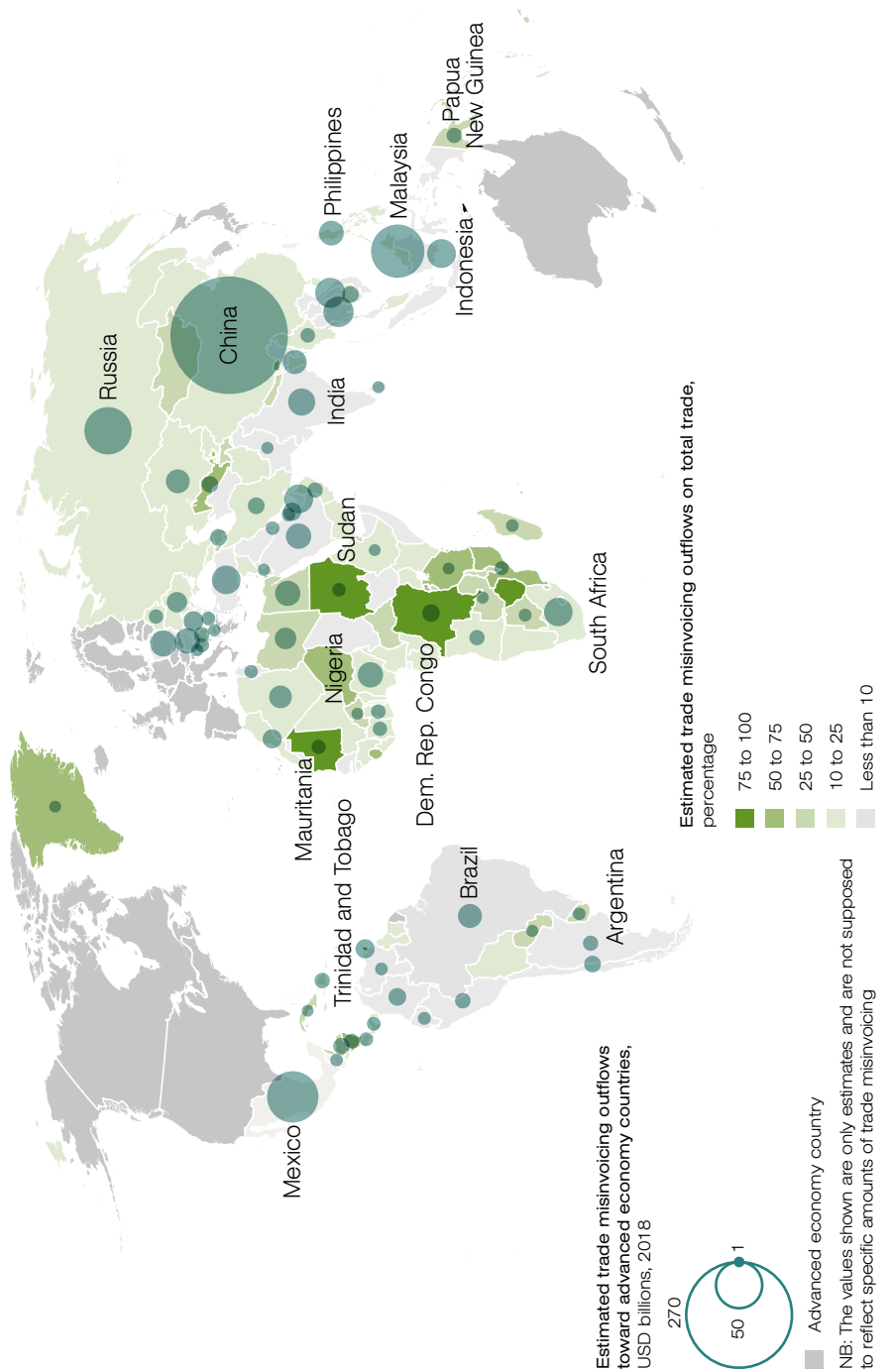


Source: EY, based on US Department of State, FATF, OECD<sup>45</sup>



POTENTIAL CAPITAL FLIGHT THROUGH TRADE MISINVOICING

Estimated trade misinvoicing outflows towards advanced economy countries and percentage of total trade, 2018, USD billion

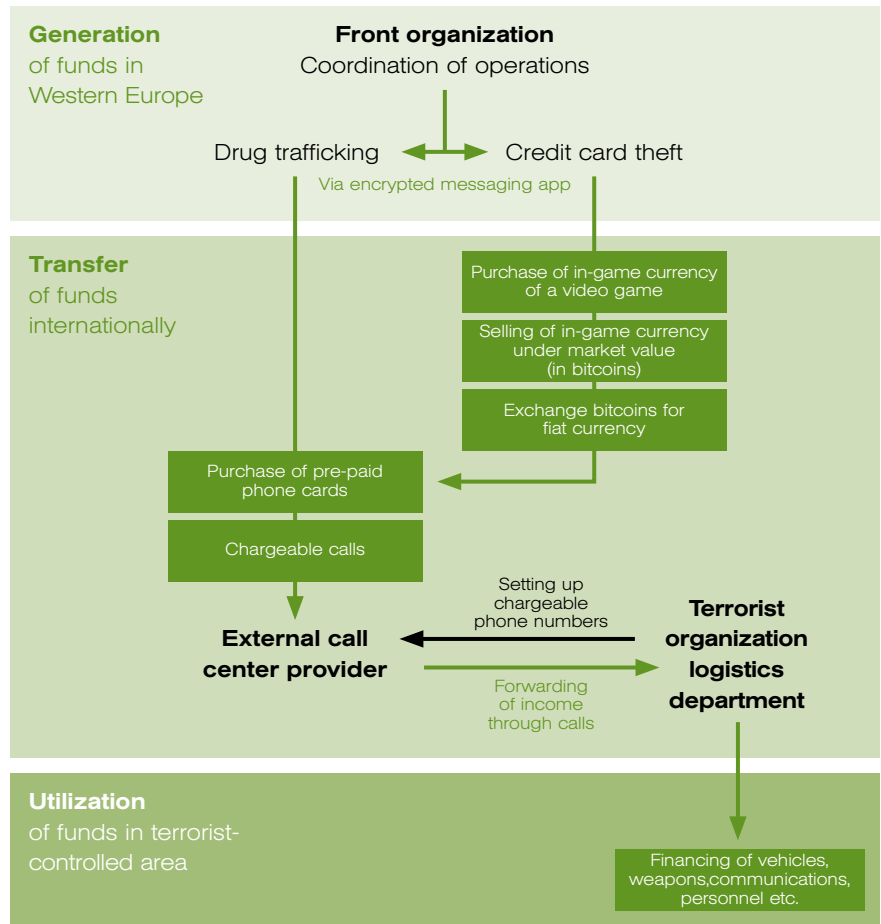


Source: RHIPTO Norwegian Center for Global Analyses, based on IMF data<sup>46</sup>



**ILLCIT FINANCIAL FLOWS AND TERRORIST FUNDING**

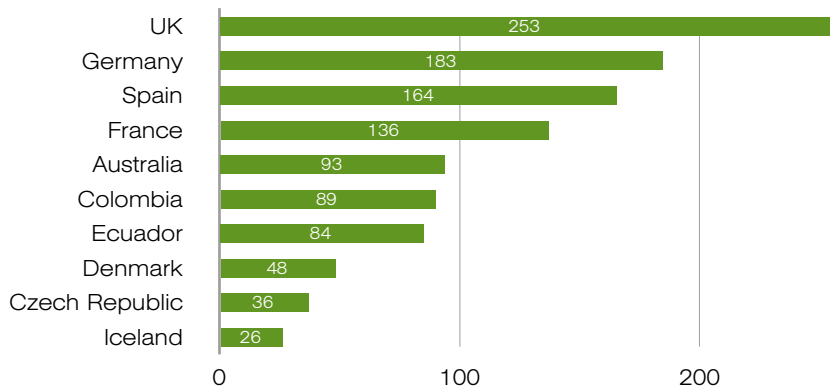
Scheme of an exemplary illicit financial flow to fund a terrorist organization



Source: EY<sup>47</sup>

**MONEY RECOVERED AS A RESULT OF THE PANAMA PAPERS INVESTIGATION**

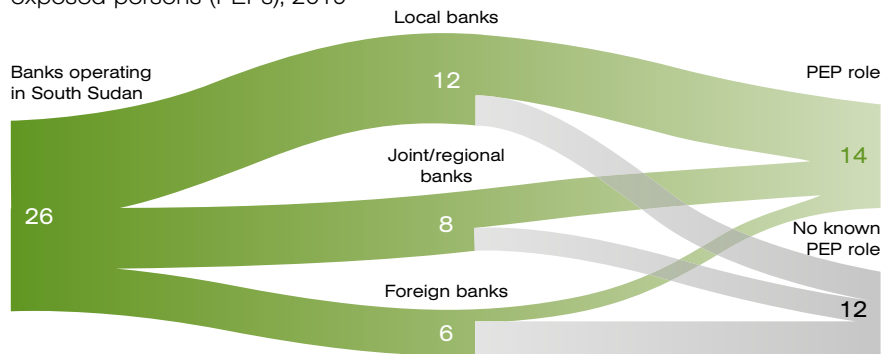
Amount of money recovered per country, top ten, 2016–2019, USD million



Source: International Consortium of Investigative Journalists<sup>48</sup>

**POLITICAL INFLUENCE IN THE SOUTH SUDANESE BANKING SECTOR**

Banks operating in South Sudan, affiliation and connection to politically exposed persons (PEPs), 2019



Source: The Sentry<sup>49</sup>

**SOUTH SUDAN'S CONNECTIONS TO THE GLOBAL FINANCIAL SYSTEM**

Correspondent banking relationships of South Sudanese financial institutions, 2019



Source: The Sentry<sup>50</sup>

**CONSEQUENCES OF UNDUE POLITICAL INFLUENCE IN THE SOUTH SUDANESE BANKING SECTOR**

The civil war in South Sudan has been funded by IFFs, and the South Sudanese banking system is a key actor in this. More than half of South Sudan's banks are partially under the control of politically-exposed persons (PEPs). PEPs receive preferential access to foreign exchange and have used it to move large quantities of hard currency out of the country, causing inflation. This prevents companies from importing goods and making capital investments and increasing the cost of basic goods.

South Sudanese banks have access to global financial markets through correspondent banking relationships. Between March 2014 and June 2015 alone, transactions worth over USD 80 million have been identified that indicate private companies supported security forces in South Sudan by supplying and transporting weapons, troops, and other goods. Most of these transactions were made in US dollars, providing a source of leverage for the international community. A report by The Sentry encourages governments and banks to examine their relationships with regional banks in a manner that encourages responsible business but does not promote de-risking.

Source: The Sentry<sup>51</sup>





# Data

```
mirror_mod.use_x = False
mirror_mod.use_y = True
mirror_mod.use_z = False
cooperation = True
mirror_mod.use_x = False
mirror_mod.use_y = False
mirror_mod.use_z = True transnational
threats.tsr.msc
#selection at the end -add back the deselected mirror modifier o
mirror_ob.select= 1 illicit flows
modifier_ob.select=1
bpy.context.scene.objects.active = modifier_ob
print("Selected" + str(modifier_ob)) #modifier ob is the active ob
modifier_ob.select = 0
```

# Data: Hack of All Trades

“Cybercrime is an area in which there is much work to do and no time to waste [...] Cybercrime is estimated to generate some USD 1.5 trillion in revenue per year. And as with most crime, it targets the most vulnerable.”<sup>29</sup>

**ANTÓNIO GUTERRES,  
15 MAY 2018**

“[M]assive data breaches or revelations of the mishandling of personal data, such as in the Facebook Cambridge Analytica scandal helped our case [on GDPR]. They remind us what is at stake – from preserving our most intimate sphere to protecting the functioning of our democracies and ensuring the sustainability of our increasingly data-driven economy.”<sup>30</sup>

**VĚRA JOUROVÁ,  
30 JANUARY 2019**

In recent years, illicit flows of data – cross-border, usually digital, movements of information that is either transferred, created or used in an illegal way – have moved far beyond “simple” privacy concerns. In an increasingly digitized world, these flows can encompass anything from sensitive personal information, such as health records or banking details, to trade and state secrets. An estimated 2.5 quintillion bytes of data is created every day, a number equivalent to 25 million kilometers of books.<sup>1</sup> This ever-increasing amount of data represents a security risk as it becomes more and more difficult to protect against intrusions and misuse – not least because this data is often stored in insecure ways.<sup>2</sup> For example, a 2018 report by a cyber security firm found that data was only encryption-protected in 2.2 percent of breaches reported to them.<sup>3</sup> In addition, the sheer amount of data available allows actors to derive new data by combining two or more existing data points and drawing inferences. As a result, the dangers arising from illicit flows of data are becoming increasingly impossible to predict.

Digitization creates economies of scale: Information that was once analog or decentralized and therefore relatively hard to access is now readily available. In real-world terms this means that instead of stealing one person’s wallet, criminals can now obtain millions of credit card details simultaneously. Breaches can hence affect scores of people, as in the 2018 breach of the Marriott hotel chain, which affected 500 million people.<sup>4</sup> In the United States, personally identifiable information such as social security numbers have been stolen so many times that governmental organizations like Medicare have stopped relying on it solely in order to reduce the risk of identity theft.<sup>5</sup>

The advent of 5G technology is amplifying these issues. The speed of communications will increase – with downloads up to 100 times faster than is currently possible<sup>6</sup> – and so will the number of devices and connections between them. By 2030, 125 billion gadgets could be interconnected in “the internet of things.”<sup>7</sup> This will multiply the points of entry for malicious actors. With 5G set to become an integral part of critical infrastructure, experts fear that it could be used not only for espionage but also to sabotage this very infrastructure.<sup>8</sup> The current debate about the Chinese firm Huawei, a leading provider of 5G technology, reflects such concerns.

This also sheds light on another aspect of illicit flows of data, as such flows expose individuals, companies, and states to a significant risk of theft and espionage. Breaches by a hostile force could reveal military secrets that could be used in the event of a confrontation<sup>9</sup>. Illicit flows of data also offer vast opportunities for recruiting intelligence assets: In 2017, for example, the US credit ratings provider Equifax was hacked, exposing the financial information of more than 140 million people worldwide, including persons in security relevant positions.<sup>10</sup> The sheer economic damage of cyberattacks alone is enormous: in 2018, cybercrime was estimated to cause USD 600 billion in damage, affecting about two-thirds of users of online services.<sup>11</sup> Extortion has become a business model for cyber criminals.

“These exploits are developed and kept secret by governments for the express purpose of using them as weapons or espionage tools. They’re inherently dangerous. When someone takes that, they’re not strapping a bomb to it. It’s already a bomb.”<sup>31</sup>

**TOM BURT,**  
25 MAY 2019

“Historically, we have protected the sensitive information and functions at the core of our telecommunications networks by confining our high-risk vendors to the edge of our networks. But the distinction between core and edge collapses in 5G networks. That means that a potential threat anywhere in the network will be a threat to the whole network.”<sup>32</sup>

**MIKE BURGESS,**  
29 OCTOBER 2018

Ransomware attacks, in which malicious actors capture computer systems, encrypt the data in them, and then demand a ransom to be paid in exchange for release, are especially problematic. Such attacks can block critical infrastructure in both the public and the private sector. For example, the 2017 WannaCry attack affected an estimated 230,000 computers worldwide, which had large-scale effects on critical infrastructure such as the British National Health Service.<sup>12</sup> Oftentimes, the targets are not selected for any particular reason other than their vulnerability; criminals scan the internet to identify potential security gaps.<sup>13</sup>

These attacks also point to another worrisome trend: the proliferation of cyber tools, the most sophisticated of which used to be only available to intelligence agencies. But in the last decade, criminals and others have been able to acquire them as well, as such tools ultimately consist of nothing more than code, which itself is data and is available to anyone once it is “used in the wild.”<sup>14</sup> In many ways, illicit flows of data can hence level the playing field between state and non-state actors. Making things worse, a series of breaches of unknown origin at the US National Security Agency, starting in 2016, made such tools available.<sup>15</sup> One of them, EternalBlue, uses a vulnerability in Microsoft software to gain access to systems. Since it was leaked, it has been picked up by state and non-state actors and malware using EternalBlue has since “paralyzed hospitals, airports, rail and shipping operators, ATMs and factories that produce critical vaccines.”<sup>16</sup> Such malware is now also regularly sold on Dark Web marketplaces.<sup>17</sup>

It is not only malicious actors that pose a threat: oftentimes, simple human error is to blame. Between 2013 and the first half of 2018, six out of the ten most dangerous reported data breaches involved accidental losses of data.<sup>18</sup> Even worse, users and companies alike may not even be aware of the data they are giving away: In November 2017, a fitness tracker app released a global heat map that showcased the activities of its users, many of whom were US military personnel on duty. The map thus inadvertently gave away the locations of unknown US military bases around the world, with significant consequences for operational security.<sup>19</sup> This example raises questions about what should be regarded as explicitly licit flows of data, but it also points to the issue of what consent is and whether or not users are always capable of understanding the full value of their data.

As illicit flows of data often carry sensitive personal information they can be especially harmful to individuals. For example, humanitarian organizations often hold extremely sensitive information about vulnerable persons. To mitigate threats, entire handbooks on how to protect critical information in conflict and crisis situations exist.<sup>20</sup> But data threats are not limited to fragile contexts. In recent years, commercial genetic testing has become widely available, providing users with information on their ancestry or risk of diseases. However, such databases hold information about more than just the person that took the test. In the United States, 60 percent of people of Northern European descent – the main ethnic group using these services – “can be identified through such databases whether or not they’ve joined one themselves.”<sup>21</sup> This number is expected to rise to 90 percent.<sup>22</sup>

Law enforcement agencies already use such databases to identify suspects in crimes, such as those potentially involved in murders or sexual assaults.<sup>23</sup> While useful in principle, the same technique could be used by authoritarian governments to identify dissidents. Illicit flows of data can thus be especially harmful for individuals in authoritarian societies, whose security depends on

“In particular, we don’t believe that the world will be best served by a commercial race to the bottom, with tech companies forced to choose between social responsibility and market success.”<sup>33</sup>

**BRAD SMITH,**

**6 DECEMBER 2018**

remaining anonymous. Countering illicit flows of data often requires intensive cross-border cooperation between law enforcement and intelligence agencies. For example, in April 2019, the world’s second largest illicit Dark Net market – “Wall Street Market” – which offered stolen data among other things, was closed down by law enforcement officials from the United States, the Netherlands, Germany, and EUROPOL.<sup>24</sup> However, in other cases, governments may be less interested in cooperating given the currently “increased friction between governments over policing agendas, methods, and strategies – as is evident in US-EU tensions over data privacy.”<sup>25</sup> Furthermore, trust between states on these issues tends to be low, as some states themselves employ cyberattacks.<sup>26</sup> In the meantime, companies themselves are calling for more international rules, for instance, in the field of facial recognition.<sup>27</sup>

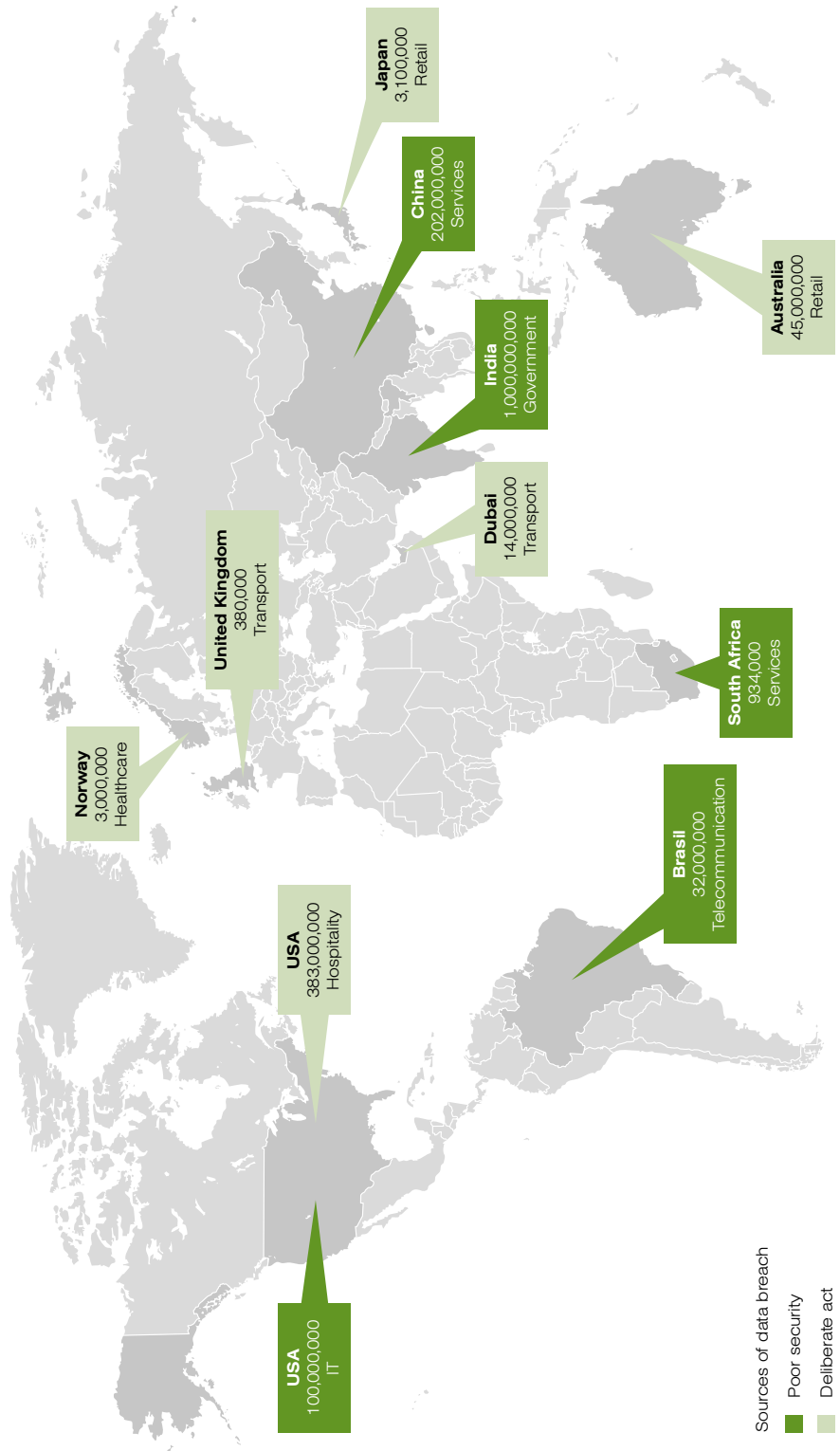
As the amount of data in the world increases and the connections between it grows, so will the dangers associated with it. It has already become virtually impossible to “opt-out” of the internet and associated flows of information. With technological innovations such as machine-learning and artificial intelligence, the possibilities for drawing data inferences, including false ones, will increase, with some experts arguing that “*being* surprised at the nature of the violation, in short, will become an inherent feature of future privacy and security harms.”<sup>28</sup> Overall, international institutions and policy-makers need to strike a balance between countering illicit flows of data while not impeding further technological developments.

### Recommendations

- 1. Increase awareness of risks related to illicit flows of data** both in society and government in terms of privacy and security.
- 2. Improve the collection and analysis of data about incidents and damage caused by cybercrime and exchange this information with other governments.** In particular, make more information publicly available to enable a meaningful exchange between public and private sectors, as well as academia.
- 3. Update the legal bases for law enforcement regularly** to include new technological developments.
- 4. Increase the capacities of national and multilateral law enforcement agencies and international cooperation between them.** Additionally, support countries lacking the capacities to fight cyber-related crime.
- 5. Strengthen data protection regulations and streamline them at an international level.**
- 6. Avoid unnecessary data collection** and regularly review whether existing data is still needed.
- 7. Conduct robust risk assessments for critical infrastructure.** Increase resilience and reduce vulnerability of critical infrastructure to attacks by adhering to proper safeguards such as regular software update, data backups and use of encryption.
- 8. Reduce silo-based approaches and adopt cross-sector solutions.** Include private sector actors as well as civil society in efforts to reduce illicit flows of data.

SELECTED  
DATA BREACHES  
WORLDWIDE

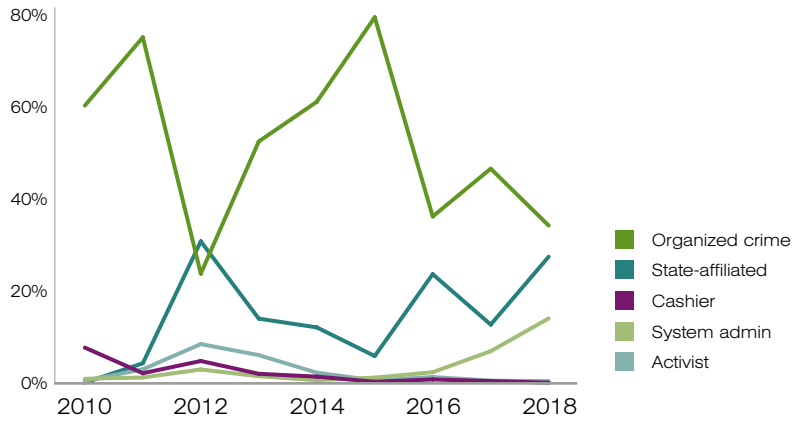
Number of records breached, sector affected, 2018–2019



Source: Based on Information is beautiful<sup>24</sup>

**THREAT ACTORS IN BREACHES**

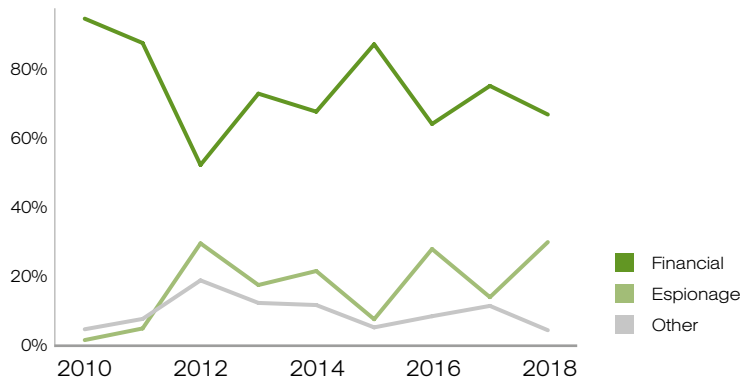
Selected threat actors in breaches, 2010–2018, percent



Source: Verizon<sup>35</sup>

**THREAT ACTOR MOTIVES IN BREACHES**

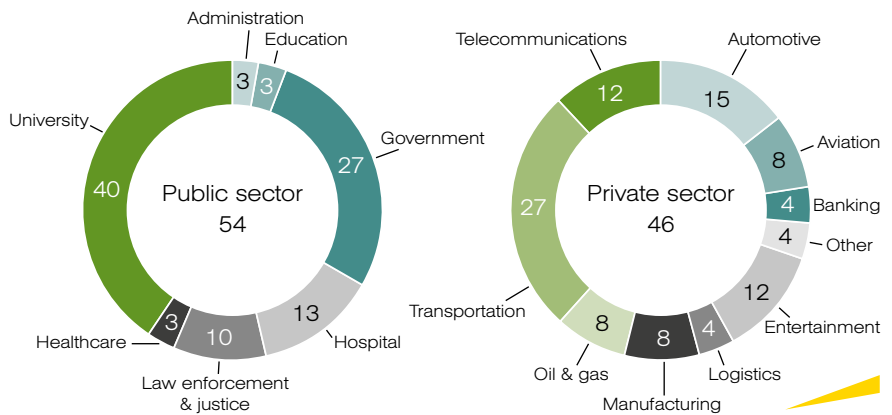
Selected threat actor motives in breaches, 2010–2018, percent



Source: Verizon<sup>36</sup>

**VICTIMS OF THE WANNACRY ATTACK**

Organizations affected by the WannaCry attack, 2017, percent

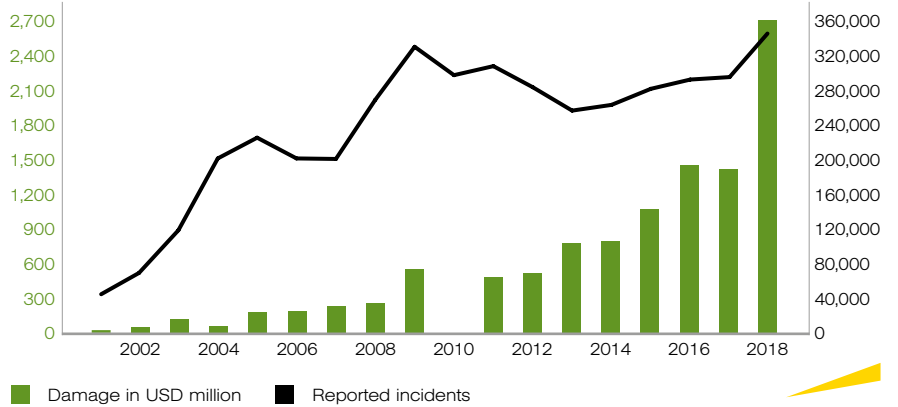


Source: EY<sup>37</sup>



THE EXTENT OF CYBERCRIME IN THE UNITED STATES

Damage by and complaints filed for cybercrime by reported incident to the Federal Bureau of Investigation, 2001–2018, USD

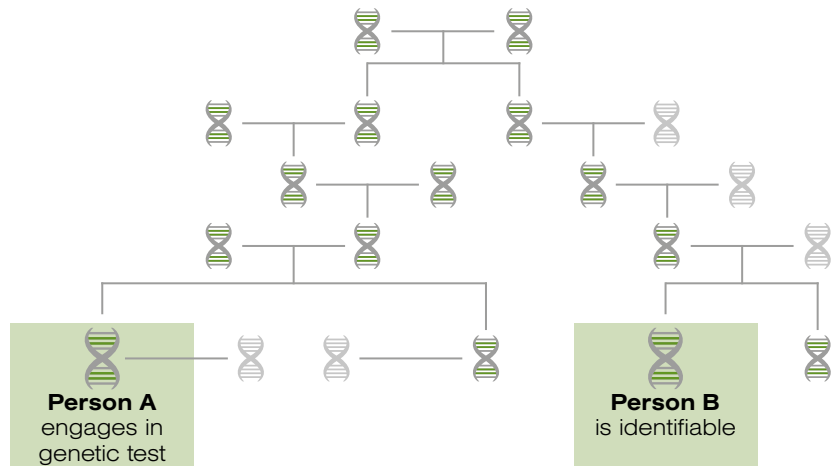


Source: EY, based on Internet Crime Complaint Center<sup>38</sup>



GENETIC DATA INFERENCE

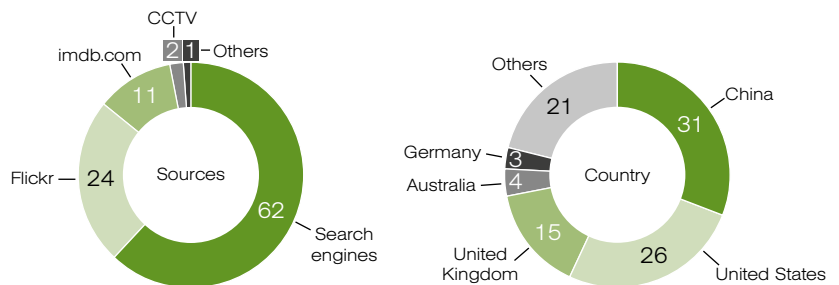
Exemplary reach of public genetic data bases



Source: Science in the News<sup>39</sup>

SPREAD OF BIOMETRIC DATA OBTAINED FROM NON-COOPERATIVE SOURCES

Data sources of face recognition training data and locations of organizations using the data, 2019, percent



Source: MegaPixels.cc<sup>40</sup>







# Recommendations

```
mirror_mod.use_x = False
mirror_mod.use_y = True
mirror_mod.use_z = False
cooperation = True
mirror_mod.use_x = False
mirror_mod.use_y = False
mirror_mod.use_z = True
threats.tsr.msc
#selection at the end -add back the deselected mirror modifier o
mirror_ob.select= 1 illicit flows
modifier_ob.select=1
bpy.context.scene.objects.active = modifier_ob
print("Selected" + str(modifier_ob)) # modifier ob is the active ob
#mirror ob.select = 0
#bpy.context.selected_objects =
#bpy.context.active_object =
```

# Recommendations

“In a world of complex and inter-linked threats and challenges, banking on national capabilities alone cannot sustain peace and security.”<sup>3</sup>

**THOMAS GREMINGER,**  
**24 APRIL 2019**

“With the ever-changing transnational threats and rise of terrorism, it is essential that defence leaders cooperate on an even closer level.”<sup>4</sup>

**HALIMAH YACOB,**  
**2 JUNE 2018**

The inherent nature of transnational illicit flows means that no actor – be it governments and law enforcement in countries of origin, transit, or destination, as well as international organizations – can address the challenge alone. What is more, unilateral approaches are likely to merely change certain patterns and directions of illicit flows, which have been quick to adapt to changing circumstances in the past.<sup>1</sup> Indeed, observers argue that interventions against illegal trade in particular need to take into account “the political economy superstructure that creates and sustains them.”<sup>2</sup>

Approaching the challenge of illicit flows collectively at the regional and global levels could, in fact, provide relatively low-threshold opportunities to stimulate multilateral cooperation in practice. At times of increasing pressure on multilateral institutions like the United Nations, successful cooperative approaches could help reinvigorate regional and global governance mechanisms and, in the process, relegitimize ways of working together in the multilateral ecosystem. Building on the numerous commitments made in recent years to meaningfully counter illicit flows, policy-makers could consider the following recommendations:

## OVERVIEW OF KEY RECOMMENDATIONS

- 1 **Improve data availability:** Build on efforts to deepen and broaden data availability on and analysis of illicit flows of all kinds in order to ensure a sound basis for informing policy choices. For example, step up data collection and analysis, as well as its exchange among relevant organizations. Specifically, continue investigating links between different kinds of illicit flows to counter both illicit trade itself and revenues generated from it. Make more data publicly available to foster a valuable exchange between the public and the private sectors, as well as academia.
- 2 **Boost cross-border and cross-sector information sharing:** Reduce silo-based approaches through enhanced information sharing among national, regional, and international institutions to map overall trends in illicit routes and operating models, cutting across sectors from law enforcement to other security actors and anti-trafficking NGOs.
- 3 **Share best practices and build capacities:** Increase regional and international exchange among practitioners, learning from countries leading in certain aspects of countering illicit flows, and supporting countries lacking the capacities to fight selected flows. Expand existing joint training<sup>5</sup> and joint operational efforts.<sup>6</sup>
- 4 **Build broader coalitions:** Join forces through cross-industry and public-private partnerships where appropriate to counter illicit flows. In addition, support investigative journalism and civil society efforts engaged in uncovering and combating illicit flows. For overarching cooperation, build on the previous successes of working towards international treaties against illicit trade through Conference of the Parties (COP) efforts.<sup>7</sup>
- 5 **Fight illicit flows in conflict situations:** Build on ongoing efforts by organizations such as INTERPOL and UNODC to increase awareness, handle and investigate cases,<sup>8</sup> including as part of pre-deployment trainings for UN and other peacekeeping personnel.<sup>9</sup>
- 6 **Bolster prosecution and deterrence:** Expand the confiscation of money derived from illicit flows to reduce its attractiveness as an income source for actors from organized crime to terrorism. Work towards increased prosecution rates, prioritizing the most drastic measures against the most dangerous networks and groups threatening security.<sup>10</sup> Increase the effectiveness of sanctions as deterrents for illicit actors by heightening their operational risks.<sup>11</sup>
- 7 **Make the most of technological innovation:** Enhance the use of technologies to counter illicit activities by investigating possible applications for different types of illicitly traded goods and updating legal bases for law enforcement regularly to take into account new developments. For example, improve traceability of weapons and illicitly sourced natural resources, components, and product inputs by tracking shipments, thus making it more difficult for illicitly-sourced materials to blend in.



# Food for Thought

```
mirror_mod.use_x = False
mirror_mod.use_y = True
mirror_mod.use_z = False
cooperation = True
mirror_mod.use_x = False
mirror_mod.use_y = False
mirror_mod.use_z = True transnational
threats.tsr.msc
#selection at the end -add back the deselected mirror modifier o
mirror_ob.select= 1 illicit flows
modifier_ob.select=1
bpy.context.scene.objects.active = modifier_ob
print("Selected" + str(modifier_ob)) # modifier ob is the active ob
#mirror ob.select = 0
#bpy.context.selected_objects = [mirror_ob]
#bpy.context.scene.objects.active = mirror_ob
```

# Books



## AISHA AHMAD: **Jihad & Co.**

### Black Markets and Islamist Power

Ahmad connects the underlying business rationale to the success of Islamist groupings. The geographically diverse research, including Afghanistan, Somalia, Pakistan, Mali, and Iraq as some of the most relevant breeding grounds for Islamist terrorist groupings, is particularly noteworthy.<sup>1</sup>



## ANDERS ÅSLUND: **Russia's Crony Capitalism**

### The Path from Market Economy to Kleptocracy

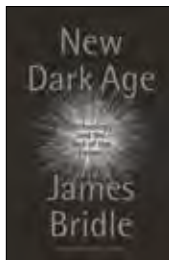
Analyzing Russia's financial system, which benefits its elites rather than society, Åslund finds that money from Russian state-owned enterprises and resources are funneled to the US and the UK. To stop enabling kleptocratic practices, the US should demand full transparency, including stricter anti-money-laundering controls in Europe.<sup>2</sup>



## JAMIE BARTLETT: **The People Vs Tech**

### How the Internet Is Killing Democracy (and How We Save It)

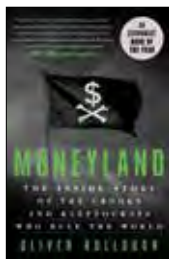
Referencing some of the most relevant political theorists, this book assesses the threats deriving from an ever-evolving technology, specifically its impacts on democratic pillars. Although different future scenarios seem plausible, Bartlett suggests 20 specific ideas to save democracy.<sup>3</sup>



## JAMES BRIDLE: **New Dark Age**

### Technology and the End of the Future

While technology is often understood positively with respect to its contribution to exposing social injustice, Bridle actually argues the opposite. He finds that in many cases, technological advances, such as cell phones, actually increased violence.<sup>4</sup>



## OLIVER BULLOUGH: **Moneyland**

### The Inside Story of the Crooks and Kleptocrats Who Rule the World

Moneyland is the fictitious "country" invented by the author to demonstrate how complex structures can be used to stash illegally earned money. Bullough argues that anyone rich enough can take advantage of different nation states' fragmented legislations to avoid prosecution.<sup>5</sup>



## JOHN P. CARLIN WITH GARRETT M. GRAFF:

### **Dawn of the Code War**

#### America's Battle Against Russia, China, and the Rising Global Cyber Threat

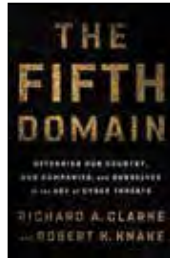
This book offers a unique perspective on the challenges of combating cybercrime. It goes beyond the 2016 attempts to influence the US election, also covering the dimension of individual responsibility.<sup>6</sup>



### CHRISTINE CHENG: **Extralegal Groups in Post-Conflict Liberia**

#### How Trade Makes the State

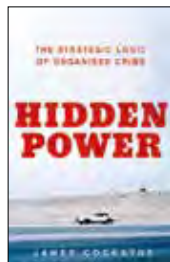
Liberia presents an excellent case for the study of extra-legal groups: large amounts of humanitarian and development aid, the highest numbers of UN peacekeepers per capita, and wide attention. Since extra-legal groups and illicit trade rose in this context, this exemplifies the limits of outside intervention.<sup>7</sup>



### RICHARD A. CLARKE AND ROBERT K. KNAKE: **The Fifth Domain**

#### Defending Our Country, Our Companies, and Ourselves in the Age of Cyber Threats

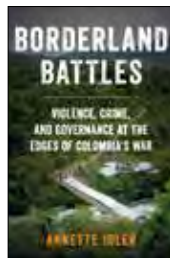
The Fifth Domain, the Pentagon's term for cybersecurity, discusses potentially increasing cyberthreats. Still, the authors argue that cyberthreats can be reduced given appropriate political will and cooperation.<sup>8</sup>



### JAMES COCKAYNE: **Hidden Power**

#### The Strategic Logic of Organized Crime

Conducting extensive historical research, Cockayne examines the links between organized crime and political power and finds that lines were often blurred. He arrives at two startling conclusions: even non-state organized crime groups make war and the convergence of organized crime and politics is not necessarily a new phenomenon.<sup>9</sup>



### ANNETTE IDLER: **Borderland Battles**

#### Violence, Crime, and Governance at the Edges of Colombia's War

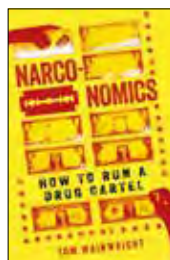
Border areas in conflict-ridden regions often experience increased government neglect, creating ideal circumstances for the rise of violent non-state actors. Based on over 600 interviews, this book explores the challenges of the shared borderlands of Colombia, Ecuador, and Venezuela.<sup>10</sup>



### LOUISE I. SHELLEY: **Dark Commerce**

#### How a New Illicit Economy Is Threatening Our Future

While technological advances have changed all aspects of trade, particularly the illegal economy has changed severely. Exploring the many facets of dark commerce, Shelley suggests concrete improvements on the issue, such as an all-encompassing strategy considering all kinds of illicit trade, rather than focusing on specific commodities only.<sup>11</sup>



### TOM WAINWRIGHT: **Narconomics**

#### How to Run a Drug Cartel

Wainwright compares the narcotics industry to a global business, bosses to corporate managers, and clients to regular customers, with demands similar to other industries. He considers economic solutions and argues that states should focus on four economic issues, including addressing demand rather than supply and approaching the problem globally.<sup>12</sup>

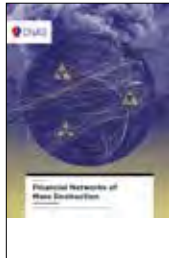
# Reports



## AFRICAN UNION COMMISSION AND SMALL ARMS SURVEY: **Weapons Compass**

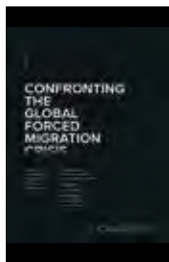
### Mapping Illicit Small Arms Flows in Africa

Presenting the first continent-wide assessment on small arms proliferation, this report aims at providing AU member states with the information necessary to combat the issue adequately. The report suggests a focus on the most promising strategies, which stress regional and international cooperation.<sup>13</sup>



## CENTER FOR A NEW AMERICAN SECURITY (CNAS): **Financial Networks of Mass Destruction**

While weapons of mass destruction in the hands of rogue state and non-state actors generally received wide attention, controls on proliferation finance remain weak. Considering the US position in the international system, this reports places a special responsibility on Washington to address this security issue.<sup>14</sup>



## CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES (CSIS): **Confronting the Global Forced Migration Crisis**

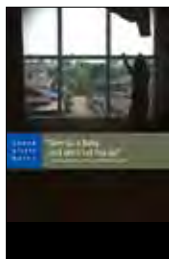
This report assesses global trends in forced migration linked to the underlying root causes of underdevelopment and poor governance and points out a reactive, rather than comprehensive, strategy. As the situation continues to worsen, the authors conclude that current forced migration will likely seem simple from a viewpoint decades from now.<sup>15</sup>



## THE GLOBAL INITIATIVE AGAINST TRANSNATIONAL ORGANIZED CRIME: **Cyber-Insecurities?**

### A Guide to the UN Cybercrime Debate

With cybercrime risks increasing, often committed by complex networks of individuals, states still tend to address the issue through national legislation. This report analyzes the challenges of an incoherent response to an international problem, with a particular emphasis on the UN's role.<sup>21</sup>



## HUMAN RIGHTS WATCH: **"Give Us a Baby and We'll Let You Go"**

### Trafficking of Kachin "Brides" from Myanmar to China

Based on more than 70 interviews, including 37 survivors of human trafficking, this report provides insights on individual fates of survivors. Specifically, the report traces "bride" trafficking from Myanmar to China, where the one-child policy, effective until 2015, led to a gender gap.<sup>16</sup>



## INTERPOL, RHIPTO NORWEGIAN CENTER FOR GLOBAL ANALYSES, AND THE GLOBAL INITIATIVE AGAINST TRANSNATIONAL ORGANIZED CRIME: **World Atlas of Illicit Flows**

This report presents a comprehensive overview of the different kinds of illicit flows and their role in global conflicts. With particular emphasis on smuggling routes, it stresses the importance of information and analysis in order to address the different risks associated with illicit flows across the globe.<sup>17</sup>





### ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD): **Regional Integration in Border Cities**

Part of the West Africa Series, this paper describes the rapid increase West Africa has seen in both number and size of cities. By the end of the decade, every second person will live in a city, with border cities significantly able to contribute to regional integration.<sup>18</sup>



### ROYAL UNITED SERVICES INSTITUTE (RUSI): **Security Through Financial Integrity**

#### Mending Pakistan's Leaky Sieve

Pakistan was placed on the "grey" list of jurisdictions with anti-money-laundering deficiencies by the FATF in early 2018, but is committed to improving its financial system. To this end, the authors suggest country-specific recommendations that focus on awareness and information strategies.<sup>19</sup>



### THE SENTRY: **Prosecute the Profiteers**

#### Following the Money to Support War Crimes Accountability

While it is widely known that armed conflicts can generate substantial profits, commercial actors are hardly prosecuted accordingly. Investigating the link between economic crimes and war crimes, this report recommends addressing the financial dimension of war crimes, specifically by focusing on investigating key actors.<sup>22</sup>



### STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE (SIPRI): **UN Police and the Challenges of Organized Crime**

This paper argues that the impact of organized crime on stability often receives limited attention in peacekeeping missions and finds that while country-specific mandates are at odds with the transnational nature of organized crime, the lack of political will is the biggest barrier for improvement.<sup>20</sup>



### TRAFFIC: **From Tusk to Trinket**

#### Persistent Illegal Ivory Markets in Viet Nam

Resulting partly from a poor regulatory framework, ivory trade is still prevalent in Viet Nam, an issue on which this report presents an excellent overview. It identifies prices, volumes, and locations and considers changes in availability of ivory. Moreover, it suggests concrete recommendations to deter criminal activity and restrict market availability.<sup>23</sup>



### UNITED NATIONS OFFICE ON DRUGS AND CRIME (UNODC): **Global Report on Trafficking in Persons 2018**

In the most prominent annual global report on human trafficking, UNODC presents an update on global developments. Including a special booklet on human trafficking in conflict situations, the 2018 edition covers 94 percent of the world's population, featuring profiles of both victims and offenders, and highlighting regional and sub-regional patterns.<sup>24</sup>



# Acknowledgments

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modifier_ob.select=1
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print("Selected" + str(modifier_ob)) # modifier ob is the active ob
#mirror ob.select = 0
#bpy.context.selected_objects[0].mirror_ob.select = 0
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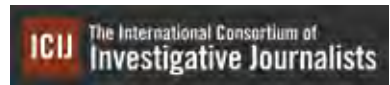
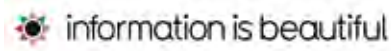
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## KNOWLEDGE PARTNERS



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# Endnotes

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print("Selected" + str(modifier_ob)) #modifier ob is the active ob
for ob in scene.objects:
```

# Endnotes

Please note that all links were last checked on 7 June 2019. All quotes in British English have been changed to American English. Note that deviations from 100 percent in visualized data are due to rounding.

## Cooperating Across Borders: Tackling Illicit Flows

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### Profit and Loss

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