

2020 - 2021

# INTERNATIONAL DIALOGUES TO FIGHT ILLICIT ECONOMIES

FINAL REPORT



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# Executive Summary

**The illicit economy, whether in the form of human trafficking, arms smuggling, counterfeiting, money laundering, cybercrime, or illegal wildlife trade, is a force harming societies, causing corruption, impacting national security, and destabilizing the lives of so many around the globe.**

Several United Nations government agencies have estimated that the global illegal economy could be taking between \$2–4 trillion per year away from legitimate business supply chains.<sup>1</sup>

Due to their ability to amass enormous profits, illicit global crimes have increased in volume, forcing governments to reallocate resources from quality public service programs to fight nefarious organized crime and terrorist organizations.

In a six-part International Dialogues To Fight Illicit Economies series spanning from March 2020 to July 2021, **Meridian International**

**Center** brought together a cross-section of experts, decision makers and influencers from governments, multinational institutions, the foreign diplomatic corps, the private sector, the think tank community, and civil society to discuss and partner on viable multi-sectoral solutions. The goal of the series was to raise awareness and convene high-level, multifaceted discussions about the various factors that fuel illicit economies.

While the first session was held in person at Meridian House in Washington, DC, the COVID-19 pandemic forced the convening

format to go virtual. The pandemic and its economic and social impacts altered the context of all the subsequent discussions, as the pandemic enabled criminal organizations around the world to expand illicit activities as lockdowns grew and government resources were reallocated to address the pandemic.

The economic fallout from the pandemic has pushed 150 million people into extreme poverty,<sup>2</sup> increasing reliance on illicit economies and organized criminal enterprises in communities all over the world.

This reality created opportunities for counterfeit and illegally diverted medical products, such as faulty personal protective equipment and sham COVID-19 cures, as well as an increase in cybercrime as people overwhelmingly turned to e-commerce for goods and shared personal information more frequently online.

Members of Congress, academics, ambassadors, representatives from several U.S. agencies, the United Nations Office on Drugs and Crime (UNODC), and prominent NGOs delivered thoughtful remarks, as well as participated in collaborative breakout discussions to share diverse perspectives and exchange proposals to combat illicit economies.

1. Estimate based on UN, ILO, and GFI reports on corruption, money laundering, transnational crime, counterfeits, drug trafficking, environmental crime, and human trafficking.

2. The World Bank, Press Release from October 7, 2020, "COVID-19 to Add as Many as 150 Million Extreme Poor by 2021"



# Key Takeaways

Following each session, key takeaways emerged from the panelists' presentations and thoughts shared during group discussions. The final small group strategy session with leaders in the field helped to consolidate overall recommendations.

## 1 Break Down Silos to Improve Cross-Sector Coordination

Governments, multilateral institutions, non-governmental organizations (NGOs), international financial institutions, and the private sector must partner together to identify and address the root causes of corruption. This includes the need to establish regular information sharing networks, secure commitments from law enforcement, mobilize resources to build capacity, leverage political will, and create mentorship opportunities. Participants throughout the process emphasized the importance of breaking down silos to combat the convergences of illicit activities through a holistic approach. Effective global solutions to combat corruption and illicit economies will require public and private sector collaboration, as well as civil society partnerships.

## 2 Invest in the Latest Innovative Technologies

Nefarious actors not only perpetrate cybercrimes for direct financial gain, but they also leverage emerging technologies to facilitate and accelerate a wide range of criminal activities. Cyber-enabled crimes that endanger human health and safety include disruptive attacks on infrastructure, schools and hospitals, the sales of counterfeit and substandard PPE, online sex trafficking, and the sale of illegal drugs over the internet. Advanced technologies improve cross-sector coordination and aid in the development of innovative anti-corruption tools. Anti-corruption tools with capabilities ranging from monitoring and disrupting wildlife markets online to expanding financial digital tracking and tracing and data analytics, should all be used to identify convergences.

## 3 Address Socio-Economic Issues that Breed Corruption

Corruption and organized crime emerge from underlying social, political, and economic issues, which are most often prevalent in communities with high poverty rates and limited government support. Governments must improve support for basic services and security for citizens to combat the rise of organized crime groups in local communities. Throughout the series, participants pointed to the link between violence, migration, illegal narcotics, and human trafficking as organized criminal networks prey on vulnerable populations fleeing life-threatening situations. Through cross-sector public-private partnerships, all can collaborate to fund development initiatives that address poverty and prevalent socioeconomic disparities to counter the support offered by organized criminal and terrorist organizations.

## 4 Strengthen Global Legal Frameworks

Governments around the world must rethink and commit to improving the rule of law in order to eradicate illicit activities on a local and global scale. On the international front, regulatory frameworks must be improved to address injustices such as environmental crimes, which frequently result in light penalties even for large-scale violations. One illicit economy operating often leads to a whole network of intertwined and interconnected illicit activities. Furthermore, to combat this law enforcement must follow minor criminal activities to uncover larger operations. Local governments must work to improve the effectiveness of their judicial systems, while also ensuring that law enforcement is both free of corruption and suitably equipped to apprehend bad actors.

## 5 Enhance Awareness and Education at All Levels

Illicit economies are not a developing world problem; they are a global problem that governments and individual citizens must prioritize to advance the UN Sustainable Development Goals and empower communities. While there are conventions and commissions in place to combat human trafficking, cybercrime, corruption, organized crime, extortion, and other issues, the behavioral, micro-level problem remains at the heart of the issue. Without changing individual attitudes towards, and responses to, illicit economies, little progress will be made. NGOs, governments and the private sector should work together to engage local communities in public awareness campaigns to personalize and tailor this outreach to each local region. This will enable citizens to better understand how purchasing a counterfeit item, facilitating poaching, or offering a bribe impacts their local community and the world.

*Meridian welcomes the proposal by the International Coalition Against Illicit Economies (ICAIE) to engage the U.S. Congress, the Biden Administration, and the diplomatic community internationally in continuing the forward momentum from this series. Advocating for an increased focus on the fight against illicit economies in the United States and around the world will be a critical step in identifying the nuclei that allow these economies to spread. We appreciate ICAIE's commitment to advance the recommended actions and ideas outlined in this document, which have been generated by the growing number of committed champions to compel action, encourage a global information sharing network, and to develop holistic approaches to minimize the impact of illicit economies for our collective security.*

*You will find a summary, the speakers and the key takeaways from each session outlined in the following pages.*

***Thank you for your attention and partnership.***

# Introduction to Illicit Economies

The relationship between development, crime, and conflict is well established and has evolved as science, technology, and innovation have advanced. In 2011, the World Bank addressed this issue by emphasizing the inextricable link between poverty, insecurity, and illicit economies. Additionally, the World Bank found that state vulnerability and underdevelopment provides fertile ground for illegal economic activities that undermines peace building efforts and erodes state institutions. As a result, an interrelated cycle is created in which illicit economies exacerbate state fragility and underdevelopment.

As COVID-19 forced the global population to shift most activities online, illicit activities whether in the form of piracy, prostitution, money laundering, wildlife trafficking, human trafficking, the sale of counterfeit goods, or the trade of illegal drugs, have expanded through virtual channels and exacerbated existing networks.

The resurgence of illegal activities reinforces the fact that illicit economies are emerging as an interdisciplinary field of action that has impacted individual lives and societies worldwide. Illicit economies undermine trust in government, promote inequality, and frequently incite violence, corruption, and exploitation, while also fueling the embezzlement of domestic resources vital to help meet the most pressing needs in society.

However, for many communities around the world living in poverty and conflict zones, illicit economies promote short-term solutions to systemic problems. Long-term, sustainable and legitimate solutions are needed.



## Illicit Economies

- Undermine democracy by elevating criminal organizations and those in power to positions where they can abuse power—an affront to the rule of law.
- Weaken the judiciary system and tip the scales of justice towards corruption, with death threats or bribes offered to judges, prosecutors, and witnesses to instill fear and avoid punishment.
- Hasten the accumulation of wealth for a few at the top while undermining the government's ability to generate legitimate revenue for the population leaving many stagnant, creating high inflation with a downward trend in overall economic growth.
- Contribute to harmful environmental impacts, including biodiversity loss, global warming, and pollution.
- Force people to flee conflict zones in search of better security, access to authentic justice, and economic opportunities.

The SDGs include proposals to improve basic living standards around the world, as well as to address a variety of issues, such as armed conflict, climate change, and equality. According to the UN, the total cost to achieve these goals could be around \$11.5 trillion, including \$1.4 trillion per year to end poverty for 700 million people.

If focus was brought to address and eradicate illicit economies, this valuable revenue could provide a much-needed resource for many local municipalities around the globe for government programs and to help address SDGs.

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## Drawing Funds From Development

Through the 17 Sustainable Development Goals (SDGs), the United Nations' 2030 Agenda has outlined a global framework to eradicate poverty and achieve sustainable development around the world by 2030. However, the SDGs do not adequately and directly address illicit economies.



# 1. Tackling Corruption to Strengthen Development and Security

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Corruption enables and accelerates illicit economies, by facilitating criminal activity. When there is corruption, illicit goods are easily smuggled, natural resources are abused, bribes for impunity are accepted, money from nefarious activities is laundered, public funds are diverted for private gain and more.<sup>5</sup> Corruption has far-reaching consequences as criminal networks bribe political parties and form alliances with public officials and their intermediaries.<sup>6</sup> To end extreme poverty in the world in 20 years, the total annual cost would be around \$175 billion. In 2011, the US government spent approximately \$3.4 trillion. To eradicate global poverty, approximately 5.1%<sup>7</sup> of the current US federal budget would be required.

## SPEAKERS

**Ambassador Stuart Holliday** | CEO, Meridian International Center

**Hernan Albamonte** | Head of Illicit Trade Prevention U.S., Philip Morris International

**Frank Vogl** | Co-Founder, Transparency International and Partnership for Transparency Fund

**Congresswoman Ileana Ros-Lehtinen** | Senior Advisor, Akin Gump, and Former Chairwoman of the House Foreign Affairs Committee

**U.S. Senator Bill Cassidy (R-LA)** | Member, U.S. Senate Committee on Finance

## Corruption is a Global, Intergovernmental Issue that Crosses Borders and Sectors

Despite popular belief that bribery and fraud are only a concern in developing countries, corruption is global and extends to various economic and political environments. Illicit economies cannot function without corruption, and vice versa. Governments, transnational organizations and the private sector must partner and collaborate on global solutions with an international network.

## Technology Can Play a Crucial Role in Mitigating Corruption's Impact on Illicit Economies

Blockchain technology has the potential to enable more open tracking and monitoring of trade flows. This could increase economic transparency and speed up the detection of financial networks, bribes and other corrupt financial transactions. However, there is also concern that these technologies will fall into the wrong hands if possessed by corrupt state or non-state actors.

## International Consensus on Good Governance Must Be Established

All actors must agree on solutions to uproot corruption through good governance. With high turnover in many government positions, there is a need for policy elevation and public sector investment. A permanent high-level apolitical institution would help to ensure good governance and the raising of federal and local law enforcement wages to help eradicate corruption.

## Basic Services and Increased Opportunities for Citizens Will Reduce Demand for Corrupt Activities

Policies against corruption have traditionally prioritized targeting the supply side of illicit economies; however, this approach can only go so far. Reduced demand for corrupt activities can help weaken the illicit economies' grip on global markets. Governments must provide legitimate support for basic services, security, and opportunities for citizens to meet basic needs and thrive to reduce the reliance on organized crime groups present in local communities. Furthermore, through public awareness campaigns led by NGOs in partnership with media outlets, civil society can help foster a cultural shift to increase an understanding of the dangers of illicit economies.

## Incentivizing Private Sector Involvement is Critical

Governments and NGOs should acknowledge, support, and incentivize the private sector for implementing appropriate due diligence processes to diminish the risks for corrupt activities. Reducing corruption is an overall win-win for the private sector, with benefits including increased profitability as a result of not paying bribes, stability as a result of the rule of law and public reputational gain.

**COST OF CORRUPTION**  
Every year,  
**\$3.6 TRILLION**  
are paid in bribes or stolen through corruption.

*Corruption is a global problem that affects a wide variety of economic and political environments. Bribery and fraud are a problem in all countries, not just developing ones.*

5. Corruption and Conflict, United States Institute of Peace.  
6. 2016 Institute for Democracy and Electoral Assistance, Protecting Politics Detering the Influence of Organized Crime on Political Parties.  
7. 2011, Vision of Earth, How Much Would it Cost to End Extreme Poverty in the World?



## 2. Addressing Environmental Crime to Enhance International and Regional Security



## 2. Addressing Environmental Crime to Enhance International and Regional Security

Illegal exploitation of natural resources and the illegal smuggling of endangered species harms our planet and the future of biodiversity.<sup>8</sup> Illegal resource extraction, poaching of endangered wildlife, and the continued dumping of hazardous waste, jeopardizes biodiversity, regional security and social stability. Environmental crimes do not occur in a vacuum. The same routes used to transport wildlife across countries and continents are frequently used to transport weapons, drugs and people. Non-state armed groups, terrorist organizations and others are increasingly engaging in environmental crimes and profit from the exploitation of natural resources, similar to the income generated by other types of contraband.<sup>9</sup> Environmental crimes include illegal wildlife trade, forestry crimes, illegal mining and illegal waste distribution, with a total annual value of \$91–\$258 billion and rising at a rate of 5-7%, which is 2 to 3 times the rate of global GDP.<sup>10</sup>

### SPEAKERS

**Crawford Allan** | Senior Director, TRAFFIC

**H.E. Onkokame Kitso Mokaila** | Ambassador of Botswana to the U.S.

**Rachel Nuwer** | Journalist and author of *Poached: Inside the Dark World of Wildlife Trafficking*

**Jorge Rios** | Chief, Global Programme for Combating Wildlife and Forest Crime and Sustainable Livelihoods, United Nations Office on Drugs and Crime

Environmental crimes are estimated to be valued between  
**\$91–\$258 Billion annually**  
and rise  
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2 to 3 times the rate of the global GDP.



*Even for large-scale violations, environmental crimes frequently have few penalties. NGOs and the private sector are unable to enforce regulations and punish criminals; as this is solely the responsibility of government officials.*

8. INTERPOL, Environmental Crime

9. UNEP, The State of Knowledge of Crimes that have Serious Impacts on the Environment, 2018

10. UNEP-INTERPOL Report, 2016.

### Engaging the Local Community Is Vital

With impoverished local poachers at the bottom of the wildlife trafficking pyramid and huge income disparities between these poachers and wildlife buyers at the top of the pyramid, it is critical to communicate the value of biodiversity preservation over the immediate payout of trafficking. NGOs and the private sector can collaborate to fund media and public awareness campaigns to educate communities about the costs and consequences of environmental crime. Reinvesting natural resources in local communities and creating alternative legal livelihoods is needed in any long-term strategy.

### Public-Private Partnerships Are Key to Combat Environmental Crimes

Private-sector technology and innovation will be critical to combat wildlife trafficking and illegal logging. Many of the world's leading technology companies have collaborated with NGOs and government agencies to monitor and disrupt online wildlife markets, identify sellers, and remove online postings. Conservation, anti-trafficking, and environmental NGOs have filled the void left by a lack of international coordination and under-equipped national law enforcement. NGOs also play a vital role in educating local communities, tracking crime, and advocating for inclusive policy changes that leaves no one behind.

### National and International Cooperation is Fundamental

International trafficking networks necessitate international frameworks to counteract global devastation. We must establish a common baseline in international law to identify environmental crimes and move forward in a coordinated manner to impose penalties. More regional and multilateral information sharing, funding coordination, and enforcement actions are required.

### The Pandemic Has a Major Impact on Environmental Crimes and Coordination

Pandemic travel restriction caused a significant drop in eco-tourism, which has been disastrous for anti-poaching efforts as this is a significant economic driver for wildlife conservation. Park rangers have been laid off due to revenue and spending cuts, opening the door to illegal poachers. Furthermore, without tourists, the primary wildlife conservation incentive for local communities is lost, resulting in a loss of tax revenue for the government and long-term effects on a country's ability to fund conservation efforts. However, with the increase in virtual gatherings and ease of communication, some regions have increased coordination and information-sharing between governments and the private sector.

### It is Necessary to Move Beyond Conservation to Enforcement

Even for large-scale violations, environmental crimes frequently have few penalties. NGOs and the private sector are unable to enforce regulations and punish criminals; as this is solely the responsibility of government officials. By framing natural resource crimes as conservation and environmental management issues, enforcement agencies are limited in their ability to apprehend criminals. Weak regulatory frameworks, combined with other factors such as light sentences and judicial corruption, have contributed to widespread abuse and exploitation. National enforcement efforts should focus on better coordination among police, customs, tax agencies, prosecutors, and the military to address the upper tiers of the wildlife trafficking pyramid structure of traffickers, importers and buyers.



### **3. Fighting Organized Crime Networks to Strengthen Stability and Security**

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Transnational organized crime groups and belligerent actors use illicit economies as a means of financing violence and cause wider instability. Not only do illicit revenues from organized crime constitute a significant portion of the economies, but through rampant violence, corruption and illicit smuggling organized criminal networks and terrorist groups have a destabilizing impact globally.<sup>11</sup> Profitable illicit activities crowd out legitimate jobs.<sup>12</sup> Criminal organizations thrive in countries ravaged by violence and instability, spreading crime and violence across borders, taxing judicial and law enforcement systems, and infiltrating the political space and wielding power clandestinely.<sup>13</sup> In 2019, the global economic impact of violence was \$14.5 trillion in purchasing power parity—10.6% of global GDP, or \$1,909 per person.<sup>14</sup>

## SPEAKERS

**Uttam Dhillon** | INTERPOL Washington Director and Acting Administrator of the Drug Enforcement Agency

**Vanda Felbab-Brown** | Senior Fellow and Director, Initiative on Nonstate Armed Actors, Brookings Institution

**Walter Kemp** | Senior Fellow and Director, Western Balkans, Global Initiative Against Transnational Organized Crime

**David Luna** | Executive Director, International Coalition Against Illicit Economies (ICAIE) and Senior Fellow for National Security with the Terrorism, Transnational Crime and Corruption Center, Schar School of Policy and Government, George Mason University

In purchasing power parity terms, the worldwide economic effect of violence in 2019 was

 **\$14.5 TRILLION**

or 10.6 percent of global GDP, or \$1,909 per person.

*Illicit economies provide a pathway for criminal organizations to infiltrate and undermine the legitimate democratic process. These actors are then able to gain positions of official power while also wielding influence behind the scenes.*

11. Organized Crime, Illicit Economies, Civil Violence & International Order: More Complex Than You Think, Dr. Vanda Felbab-Brown, Brookings Institute.

12. Transnational Drug Enterprises: Threats to Global Stability and U.S. National Security, Dr. Vanda Felbab-Brown, Brookings Institute.

13. National Security Council, Transnational Organized Crime: A Growing Threat to National and International Security

14. Global Peace Index 2020

## Socio-Economic Support Will Strengthen Local Community Resilience

Organized crime syndicates are frequently most powerful in communities with high poverty rates and little support from national or local governments—optimal conditions to allow criminal enterprises to supplant governments as the primary source of employment, security and justice. Thus, efforts to combat transnational organized crime must balance law enforcement actions with development initiatives to alleviate poverty and provide socioeconomic opportunities. International coalitions and NGOs should collaborate with civil society groups to identify at-risk areas before non-state armed actors take control. This is especially important in the context of COVID-19, as the economic fallout from the pandemic has pushed as many as 150 million people into extreme poverty, increasing reliance on illicit economies and organized criminal enterprises present in communities all over the world.<sup>15</sup>

## We Must Rebuild Trust in Government and Fight Corruption

Armed groups have been using the COVID-19 pandemic to expand influence as governments have left millions of people reliant on illicit economies. Combating organized crime requires addressing government corruption and rebuilding trust in government. Efforts must be coordinated or criminal organizations will continue to operate with impunity.

## International Multi-Sector Cooperation is Essential

Given the increasing transnational nature of organized crime, international communities must increase collaborative efforts to target nefarious groups through information sharing among governments and to empower organizations such as INTERPOL. Countering transnational crime provides an opportunity to form non-ideological coalitions to advance significant international priorities such as the UN Sustainable Development Goals.

## Innovation is Key to Move Beyond the Status Quo

State and international innovation has failed to keep pace with nefarious actors. Governments and NGOs must offer effective policy solutions, such as designating certain organized crime organizations as terrorist organizations, to increase federal capacity to combat these groups. A multi-sector approach focused on increased funding and decreased demand, in conjunction with traditional law enforcement strategies and government-NGO partnerships, will be critical to combat criminal enterprises.

## Strengthening the Rule of Law is Crucial

In addition to expanding local governance capabilities, states must work to improve the effectiveness of judicial systems and ensure that law enforcement efforts are not corrupted. Furthermore, criminals should be prosecuted fairly and sentenced justly. Criminals are frequently more fearful of the American justice system than of their own judicial systems, which may be more easily corrupted or threatened. Recommendations include expanding U.S. prosecutorial capabilities by designating drug trafficking organizations as terrorist groups, labeling fentanyl as a weapon of mass destruction, and supporting stronger judicial systems internationally.

15. The World Bank, Press Release from October 7, 2020, "COVID-19 to Add as Many as 150 Million Extreme Poor by 2021"



# 4. Countering Illicit Trade and Financial Flows

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Illicit trade and financial flows continue to pose a significant threat to the international community. The proceeds of these crimes, which are estimated to be worth more than \$2 trillion per year,<sup>16</sup> are used to fund other destabilizing activities, as nefarious actors have made significant gains in wildlife crime, human trafficking, illegal narcotics and other types of illicit trade—while vulnerable populations and sustainable development suffer the consequences.<sup>17</sup>

These illicit financial flows are proliferated by a financial system that allows secrecy and fuels crime. Illicit financial flows also deprive the global economy of legitimate revenue, disproportionately affecting developing countries that lack enforcement mechanisms to combat these crimes.<sup>18</sup>

## SPEAKERS

**Alvise Giustiniani** | Vice President, Illicit Trade Prevention, Philip Morris International (PMI)

**Adv. Xolisile Khanyile** | Vice-Chair, Egmont Group and Director, Financial Intelligence Centre, South Africa

**Channing Mavrellis** | Director, Illicit Trade, Global Financial Integrity

Illicit trade and related transnational criminal activities amount to between



**8–15%**  
of global GDP

*While illicit trade and financial flows have a significant impact on the global economy, they are sometimes overlooked when discussing international attempts to combat illicit economies, as participants lack a sophisticated knowledge of their multifaceted nature.*

16. The Cost of Dirty Money, Bloomberg, 2019

17. State of the Illicit Economy Briefing Papers, World Economic Forum, 2015

18. Transparency International, Literature Review on the Linkages Between Illicit Economy and Corruption

## We Must Increase the Awareness of Illicit Financial Flows

While illicit trade and financial flows have a significant impact on the global economy, they are often overlooked when discussing international efforts to combat illicit economies. Furthermore, while individual organizations may be well-equipped to target specific aspects of the illicit trade process, most actors lack a nuanced understanding of its multifaceted nature. To halt this trend, governments and multilateral organizations such as the World Trade Organization must raise global awareness and expand international coordination, while NGOs and private sector firms work to broaden their expertise beyond their specific subject matter.

## Growing and Matching the Use of Technologies Will Help Combat Illicit Financial Flows

As new financial technologies, such as blockchain and cryptocurrencies, become more reliable for money laundering, governments and organizations must modify existing protocols to account for these new mechanisms. Furthermore, as criminal networks increase their use of artificial intelligence and advanced technological tools, governments, law enforcement, NGOs and private corporations must collaborate to avoid being outpaced by criminal organizations. Private companies can expand digital tracking and tracing tools on products, allowing them to better target counterfeit goods and illegal trade.

## Shared Transparent Data is Essential to Fight Illicit Networks

While many organizations collect data to track transnational financial flows and illegal trade, this information is rarely transparent or shared. This lack of data accessibility makes it difficult for governments, NGOs and private-sector actors to effectively track criminals and enforce regulations across borders, preventing useful collaboration. Furthermore, criminal networks frequently operate in a variety of industries and without data transparency it is difficult to understand the scope of their network and operations. Most of the international data sharing mechanisms in place are not used efficiently or uniformly, making effective collaboration difficult.

## A Collaborative Global Network is Needed to Fight Criminal and Terrorist Networks

Transnational criminal and terrorist organizations that engage in illicit trade and illicit financial flows frequently operate in networks to coordinate actions; therefore, institutions working to combat them must do the same. To increase the effectiveness of individual deterrence and enforcement efforts, private sector companies and banks should collaborate with governments to increase data sharing, expand enforcement capabilities, share best practices, and host joint trainings. Prioritizing large cases and focusing on criminal networks, rather than on individuals, can assist governments and private enterprises in directing efforts to where they can have the greatest impact. Furthermore, governments should strengthen inter-agency collaborations to better target resources and improve communication among regulators, intelligence and law enforcement teams.

## Nefarious Users of Illicit Financial Flows Grew Their Operations During the COVID-19 Pandemic

Due to the COVID-19 pandemic, governments around the world have reallocated the majority of resources to focus on the immediate needs of the pandemic and away from day-to-day fighting of illicit activities. Therefore, criminal networks flourished, with many groups adapting to the crisis by fraudulently claiming government aid, illegally transferring personal protective equipment, laundering money through loans to local businesses, and manufacturing and selling counterfeit vaccines. The economic crisis has also accelerated global economic insecurity, increasing low-income communities' and developing countries' reliance on illicit economies. As a result, governments must commit to rededicating resources to combat the growth of illicit trade and finance, as well as to providing aid and assistance to impoverished communities to reduce local reliance on illicit economies.

A silhouette of two figures, possibly representing victims of human trafficking, standing against a dark background. They are wearing heavy, dark clothing and are bound by thick, black chains. The figure on the right is holding a broken chain link, symbolizing liberation or the end of exploitation. The overall mood is somber and powerful.

# 5. Ending Exploitation: Perspectives on Combating Human Trafficking

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Illicit economies fuel violence and instability, resulting in human displacement with criminal networks preying on people's desperation for development and security. Conflict, political upheaval and natural disasters wreak havoc on already fragile social protection systems.<sup>19</sup> More than 24 million people are currently victims of forced labor and human trafficking around the world. Involuntary labor, forced domestic servitude, sex trafficking and other heinous exploitative practices benefit organized crime, prey on marginalized populations, and fuel corruption.<sup>20</sup> The exploitation of forced labor and trafficking is estimated to generate \$150.2 billion in illegal profits worldwide each year, making it one of the world's largest illicit practices and a critical problem for the global community to address.<sup>21</sup>

## SPEAKERS

**Megan Cutter** | Director of the National Human Trafficking Hotline, Polaris

**Marcia Eugenio** | Director, Office of Child Labor, Forced Labor, and Human Trafficking, Bureau of International Labor Affairs, U.S. Department of Labor

**Tom Sabo** | Principal Solutions Architect, SAS



An estimated  
**45.8 MILLION**  
people  
live in modern day slavery.

*As the pandemic has exacerbated human trafficking, there has been significantly less funding for NGOs to support their critical grassroots interventions. Moving forward, consistent funding for programs and policies will help ensure that programs run continuously*

19. Fighting Human Trafficking in Conflict, United Nations University  
20. International Labour Organization, Forced Labour, Modern Slavery and Human Trafficking, 2017  
21. International Labour Organization, Profits and Poverty: The Economics of Forced Labour, 2014

## Forced Labor is Underrecognized in the Global Supply Chain

While sexual exploitation has captured public attention and is in some ways the "face" of human trafficking, the widespread scourge of forced labor is under-recognized and needs further funding and attention. Governments and the private sector must examine all aspects of the global supply chain to determine whether forced or child labor is used at any stage of the value chain as it is critical for private sector businesses to combat all forms of human trafficking.

## Sharing Information Within and Across Sectors is Critical

Each sector has access to different types of data and information about trafficking practices and networks. The private sector, for example, has intelligence from illicit trade seizures and knowledge of supply chain conditions, while NGOs and government agencies have access to varying metrics used to evaluate the traffic of transnational smuggling networks. However, there are few channels for global information sharing across sectors. There is a critical need for governments to take a coordinated approach to various aspects of trafficking, from intervention to survivor services. The National Action Plan to Combat Human Trafficking<sup>22</sup> has aided the United States in facilitating inter-agency cooperation, planning and information sharing.

## Civil Society Has a Key Role to Stop Human Trafficking

NGOs have a clear understanding of the global situation on the ground in various countries and communities and can provide direct services to marginalized and victimized communities. As the pandemic has exacerbated human trafficking, there has been significantly less funding for NGOs to support their critical grassroots interventions. Moving forward, consistent funding for programs and policies will help ensure that programs run continuously.


22. Office on Trafficking in Persons, HHS Anti-Trafficking Efforts Highlighted in 2020 National Action Plan to Combat Human Trafficking, 2020  
23. INTERPOL, Project ENACT, Using Criminal Analysis to Enhance Africa's Response to Transnational Organized Crime.

## Increased Public Awareness Can Spotlight Human Mobility and Exploitation

Each country and region have different manifestations of human trafficking, different ground conditions, and different support and intervention methods. Public awareness campaigns can aid in the education of key audiences and the modification of behaviors. They will also help to shift the narrative from rescue to empowerment, allowing vulnerable people to recognize that they too are survivors and can take steps to connect with law enforcement and support services. Notable campaigns are shifting from a "see something, say something" model to a "identify the real story," focus to improve the abilities of those in local communities to recognize and respond to human trafficking when victims are unable to speak up.

## Focus on Root Causes and Convergences to Counter Networks and Address Illicit Economies

NGOs, governments and the private sector can work together to address the root causes of human trafficking, focusing on how illicit economies shape individual lives and societies around the world, fueling violence, corruption, exploitation and governance failures. Data analytics technology and tools can help bring patterns in publicly available data to light, uncovering linkages and allowing intervention efforts to be targeted and designed more effectively. The ENACT framework developed by INTERPOL to combat organized crime in Africa is one example of how the international community can create meaningful initiatives to combat the interconnected criminal activities and networks that fuel human trafficking.<sup>23</sup>

A person wearing a dark hoodie is sitting at a desk in a dimly lit room, looking at a computer monitor. The monitor displays a network diagram with nodes and connecting lines. The overall scene is dark and moody, suggesting a focus on digital or cyber-related activities.

## 6. Cybercrime: The Next Frontier of Transnational Organized Crime



# 6. Cybercrime: The Next Frontier of Transnational Organized Crime

Cybercrime is a persistent and borderless threat that affects citizens, government institutions, civil society and businesses in all countries. Cybercrime is on the rise because it pays well, is simple, and poses little risk to cybercriminals.<sup>24</sup> The growing involvement of organized crime groups in cybercrime adds to the problem's complexity, as criminal organizations have hired hackers, diverted resources from traditional activities, and expanded operations globally.<sup>25</sup> Cybersecurity is vital for protecting global enterprises and their infrastructure, also to ensure the safety and well-being of people all over the world. According to estimates, the monetary cost of cybercrime is around \$1 trillion, or slightly more than 1% of global GDP.<sup>26</sup>

## SPEAKERS

**Congressman Jim Langevin** (D-RI) | Chairman of the Cyber, Innovative Technologies and Information Systems Subcommittee

**Chris Boyer** | Vice President, Global Security and Technology Policy, AT&T Services Inc.

**John T. Lynch, Jr.** | Chief, Computer Crime and Intellectual Property Section, U.S. Department of Justice

**Dr. Louise Shelley** | Director, Terrorism, Transnational Crime and Corruption Center, George Mason University

Annual cost of cybercrime is estimated at

**\$1 trillion USD**

*a figure that includes both the losses and the money spent on cybersecurity.*

*As cybercrime transcends boundaries and changes in reaction to new and emerging technology, more must be done to build cooperation rules and public-private partnerships that facilitate information exchange and unearth critical evidence for prosecution.*

24. McAfee, The Hidden Costs of Cybercrime, 2020

25. Kshetri, N., Diffusion and Effects of Cybercrime in Developing Economies, 2010.

26. McAfee, The Hidden Costs of Cybercrime, 2020

## A Whole of Society and Government Approach is Needed to Address Cybercrime

Cybercrime is a global security threat, and it is critical for allies to work together to identify and prosecute cybercriminals. This necessitates bilateral and multilateral global partnerships, such as the UN Global Program on Cybercrime, which assists member states in combating cybercrime through capacity building and technical assistance, and the Global Cyber Alliance, which develops programs, partnerships and tools to make the connected world safer and more secure.

## Strong Deterrence Policies and Prevention Mechanisms Must Be in Place in the U.S. and Abroad

Cybercrime is perpetrated by both state and non-state actors, including drug cartels and other crime syndicates that may be protected by foreign countries where criminals act freely because the country is unwilling or unable to prosecute them. Furthermore, the surface and deep webs connect illicit economies ranging from the black-market antiquities trade to human trafficking and fentanyl distribution. It is critical to prevent criminals from moving goods on these platforms and gaining access to critical infrastructure systems. To prevent attacks, the international community should work in concert to adopt existing international standards, best practices and robust security systems.

## Staying Ahead of the Evolution of Cybercrime and Developing Key Partnerships is Vital

Cybercrime is rapidly evolving and necessitates evolving solutions, technological advancements, global collaboration and public-private partnerships. Cross-industry disruptive attacks on infrastructure, schools and hospitals, sales of counterfeit and substandard PPE, online sex trafficking, and illegal drugs sold over the internet are all examples of cyber-enabled crimes that endanger human health and security. Aside from online and cryptocurrency transactions, some criminal activities are carried out through legitimate businesses, logistics networks and banks. To stop illegal operations, it is critical to have global public-private sector collaboration across industries for information sharing and data collection to identify nefarious actors.

27. H.R.1251 - Cyber Diplomacy Act of 2021, 117th Congress (2021-2022)

28. Cyberspace Solarium Commission, March 2020

29. May 12, 2021, White House: Executive Order on Improving the Nation's Cybersecurity

## The U.S. Government Must Take Action to Address and Elevate Cybercrime as a National Security Concern

There are a number of recommendations to address cybersecurity in the United States. First, the pending bipartisan Cyber Diplomacy Act of 2021<sup>27</sup> will create the Bureau of International Cyberspace Policy within the U.S. Department of State to advise the Executive Branch on cyberspace issues and lead diplomatic efforts on international cybersecurity, internet access and freedom, and international cyber threats. Second, the Cyberspace Solarium Commission has proposed a three-pronged strategy to combat global cybercrime, which includes: 1) denying criminals the benefits of their crimes by disrupting payment channels and discouraging ransom payment; 2) shaping adversary behavior by shrinking and eliminating criminal comfort zones, making it difficult for them to operate; and 3) imposing costs on criminals by engaging in multilateral law enforcement operations and making it difficult for uncooperative nations to harbor criminal syndicates on their territory.<sup>28</sup>

## We Must Be Able to Identify the "Who" and the "Where" in Cybercrime to Prosecute Nefarious Actors

In the cyber world, there is an inherent lack of transparency because it is frequently difficult to identify the "who" and determine the "where" to prosecute cybercriminals. As cybercrime crosses borders and evolves in response to new and emerging technologies, more must be done to develop cooperation policies and public-private partnerships to improve information sharing and uncover key elements for prosecution. Furthermore, we have seen an increase in the use of cryptocurrencies as ransom payments for nefarious actors disrupting critical infrastructure systems. The United States government is working to address this; President Joe Biden issued an Executive Order focusing on cybersecurity,<sup>29</sup> with the goal of thwarting future efforts by improving information-sharing between the U.S. government and the private sector on cyber issues and strengthening the ability of the U.S. to respond as incidents occur.

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## **Meridian International Center**

Meridian is a nonpartisan, nonprofit diplomacy center that connects leaders through culture and collaboration to drive solutions for global challenges. Founded 60 years ago, we partner with the U.S. government, business and diplomatic community to equip leaders around the world with the networks, insights and cultural context essential for non-partisan work on shared issues. Meridian believes the United States is stronger and the world is safer when leaders collaborate across countries and cultures.

The Center for Diplomatic Engagement is an education and networking hub that accelerates collaboration between the international diplomatic corps and the U.S. public and private sectors to address global challenges and opportunities facing the United States and the world today. Leveraging more than 60 years of deep relationships with the diplomatic community, Meridian convenes programs across borders, parties and industries, enabling participants to connect in intimate settings with top officials and policymakers, dive deeply into issues, understand how Washington works, and strengthen peer-to-peer relationships.

## **PMI Impact**

In 2016, Philip Morris International (PMI) launched PMI IMPACT, a global grant initiative to support public, private, and nongovernmental organizations (NGOs) in developing and implementing projects aimed at reducing or preventing illegal trade and mitigating the negative consequences of illegal trade on individuals, families, and communities. To date, PMI IMPACT has allocated a combined \$48 million for the implementation of 60 projects in 30 countries as part of the initiative's first and second funding rounds. The funding for this series was supplied by PMI IMPACT. More information on the grant timeline and initiatives can be found at [www.pmi-impact.com](http://www.pmi-impact.com), including how to apply.

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## **INTERNATIONAL DIALOGUES TO FIGHT ILLICIT ECONOMIES**

