

## Chapter 12

### WHAT TO DO?

It isn't hopeless.

The same convergence of new technologies and changing politics that empowered criminals and weakened governments in the 1990s reappeared in a new form after 2001—this time with the potential to change the trend in favor of governments.

It began when an unexpected event at the dawn of the new century set in motion a new refashioning of the global landscape in which transnational criminals operate. On September 11, 2001, complacency and general lack of awareness of the new capabilities of stateless criminal networks collapsed into the rubble of the World Trade Center's twin towers. Acquired in pain, the realization that these networks had hitherto unimagined destructive capabilities fueled a seemingly boundless appetite for new laws, institutions, and technologies—ones that could contain and ideally stamp out the new threat. Everywhere a new hunger grew for more effective methods to ensure public safety and protect borders from the entry of unwanted people and goods. The public demanded these measures, and the politicians obliged.

Suddenly borders were important again, even paramount, as bulwarks against infiltration. Public employees—firemen, police officers, custom officers, and soldiers—became the new heroes while international financiers and global traders lost some of the allure

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they enjoyed in the 1990s. Homeland security was the new priority, not international business. Fears of terrorist attacks employing smuggled materials, and of their use of the financial system to fund their misdeeds, gave new urgency to the fight against illicit trade. The exuberant claims common in the 1990s that the new interdependence would fuel global prosperity now gave way to an apprehensive mood about "the dangerous outside world." Cross-border movements of goods and people became inherently suspect. Governments weighed new laws, police methods, and procedures, innovative forensic techniques, and new forms of international collaboration. The public's resistance against government encroachments on privacy and civil liberties abated.

Within weeks after 9/11, heightened demand for security was generating its own supply, in many forms. By year's end, new anti-terrorism laws had been enacted in Britain, Canada, France, India, Japan, and the United States. Most governments created blue-ribbon commissions and task forces to study the new terrorist threat and recommend solutions. Many countries began to reorganize their security and intelligence agencies, and national budgets were expanded to make room for new spending. Consulting firms started new practices geared to the market for security. Universities established new institutes to study terrorism and homeland security. Training centers began offering courses in emergency preparedness, disaster relief, civil defense, border control, surveillance, encryption, how to do business in dangerous places, and how not to get kidnapped. Firms that sold screening machines, new-generation holograms, or electronic devices to authenticate people, goods, and documents saw their share prices soar. The outgoing mayor and police chief of New York retired and began selling their advice to cities around the world, raising the profile and reputation of a consulting trade long associated with recycled spooks and hardened Israelis.

The dragnet compelled a new attention to the different aspects of what had been called, more or less indistinctly, international or transnational crime. Terrorism took pride of place, of course. But

the evidence pouring in—9/11, the October 2002 bombing of a Bali nightclub, the March 2004 strike on the Atocha train station in Madrid—made clear that terrorism was tied to illicit trade. The two phenomena functioned in much the same way, by means of highly effective, decentralized mobile networks. They enabled and fed on each other. Terrorist cells used illicit trade to support themselves, equip themselves, and move funds around. Unraveling terrorist finance often led directly into illicit trade.

In this changed atmosphere, the fight has intensified. Of course, dedicated investigators and advocates have been combating traffickers all along. But as we have seen time and time again, all their efforts in the 1990s were not enough to keep up with the explosive growth of illicit trade. Today, government officials, activists, technology developers, university researchers, and others have redoubled their efforts.

The question is how to make sure that all this new effort pays off.

There can be no doubt that succeeding in the fight against illicit trade requires substantially changing the way we carry it out. The approaches of the past have plainly failed. Yet it seems that we have been repeating them over and over, reinvesting in strategies that have borne little fruit while failing to acknowledge the persistent blind spots that have narrowed our thinking. Thus the first task is to decide to break this cycle and get rid of the collective learning disability that has blocked progress in the fight against global crime.

The second is to step back from the temptation of resorting to moral indignation as the basis for public policy. Of course most of what takes place under the umbrella of illicit trade violates not just laws but also widely held beliefs as to what is right and wrong. Yet over time we have allowed moral exhortations to substitute for honest analysis of the problem, and that is a dangerous tendency. It breeds complacency toward solutions that don't work and increases the risks and obstacles for politicians and citizens who seek to innovate.

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past and step back from the temptation of moral pieties, we are in an excellent position to understand what we are up against and how to engage it. We can then make the most of new technologies and ideas and change our domestic and international strategies against illicit trade in ways that give us a fighting chance.

#### **THE FOUNDATION: APPLY WHAT WE KNOW**

Illicit trade need not be a mystery. We have all the information we need to update our understanding of how it works and why it has become so pervasive and powerful. Therefore, before thinking about new public policies, laws, institutions, or strategies, it is important to draw on the knowledge we have amassed. There are a few simple, yet often ignored, baseline realizations to keep in mind.

##### **ILLICIT TRADE IS DRIVEN BY HIGH PROFITS, NOT LOW MORALS.**

It should be obvious. And yet the fundamental motivation of illicit trade seems all too often to be a blind spot in our thinking. We are quick to resort to moral language to condemn illicit trade. It is true that many of the characters involved in illicit trade are abominable criminals. But what drives them are profits and a set of values that is often impervious to moral denunciations. Illicit trafficking is an economic phenomenon, not a moral one. And the tools of economics do better at making sense of it than do the insights offered by the study of ethics and morals. Supply and demand, risk and return, are trafficking's primary motivators. Economic incentives explain how traffickers and their networks have continually adapted and refined their activities, even at the cost of temporary setbacks that would give most people pause, such as long jail sentences or the constant threat of death. Unless and until traffickers face diminished incentives to trade—less demand, lower margins, higher risks—it is more or less futile to talk about other remedies.

**ILLICIT TRADE IS A POLITICAL PHENOMENON.** Illicit traders cannot prosper without help from governments or accomplices in key public offices. Indeed, some governments have become traffick-

ers themselves. We now have a mountain of evidence to show that trafficking is political. It infiltrates governments, and it can go so far as to control the government of an entire province or even take over a weak or failed state. Again, the enormous incentives associated with the profits involved in these trades drive this criminalization of politics and public service. Trafficking is political in another sense as well: public opinion and politicians define many of the expectations and constraints that shape antitrafficking efforts. These include the definition of what is criminal, the severity of penalties for different crimes, and the budgets allocated to fighting these crimes. Illicit trafficking may never be fully understood or effectively acted upon if we do not place the economics and politics that drive it at the center of the analysis and the recommendations.

**ILLICIT TRADE IS MORE ABOUT TRANSACTIONS THAN PRODUCTS.** We are accustomed to parsing the illicit trades into separate product lines. So much so that we usually task different government agencies or international organizations with fighting each distinct trade. But the trades are no longer distinct. Illicit traders move in and out of product lines as economic incentives dictate and practical considerations permit. Only at the highly localized, extreme ends of the chain is it common to find product specialists: the Bolivian coca farmer or the bootleg CD peddler in an Asian night market. But these are marginal characters. We need to shed once and for all the illusion that the different illicit trades can be kept separate and start thinking of illicit traders as economic agents who have developed functional specialties, not product niches. Instead of distinguishing between traffickers, smugglers, pirates, coyotes, snakeheads, mules, and smurfs, we would do better to think of illicit traders in the roles they truly perform: investors, bankers, entrepreneurs, brokers, transporters, warehousemen, wholesalers, logistics managers, distributors, and more. When we consider illicit traders as profit-minded, opportunistic economic agents, it becomes clear that they should have no reason to stick to just one product.

**ILLICIT TRADE CANNOT EXIST WITHOUT LICIT TRADE.** All illicit businesses are deeply intertwined with licit ones. Indeed, traf-

fickers have strong ties with legitimate businesses. Profits can accumulate, for example, in this means investment related to the criminal. A complicit or innocent the tools for illicit varied: banks, airlines, truckers, couriers, pharmaceuticals, and transmitting communications structure that enable and stealthily.

**ILLICIT TRADE** between good and bad trafficking today lives in subtle plant manager, activities yet draw funds beyond the "minor" law or who always pay occasional—or downloaded from bags—all are a

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fickers have strong incentives to combine their illicit operations with legitimate business ventures. The extraordinary profits they accumulate, for example, exert a natural pressure to diversify. Often this means investing in activities that are legal and completely unrelated to the criminal side of the trafficking businesses. And whether complicit or innocent, the professions that get caught up in providing the tools for illicit trade to function so well are numerous and varied: banks, airlines, shipping companies, freight forwarders, truckers, courier companies, jewelers, art galleries, doctors, lawyers, pharmaceutical and chemical manufacturers, international money transmitting companies, and myriad others that provide the infrastructure that enables illicit trading to operate swiftly, efficiently, and stealthily.

**ILLICIT TRADE INVOLVES EVERYONE.** To think of a clean line between good guys and bad guys is to fail to capture the reality of trafficking today. The fact is that illicit trade permeates our daily lives in subtle ways. Some are intentional: the customs official, plant manager, or private banker who assists in some illicit trade activities yet draws the line at others, or financial advisors who stash funds beyond the reach of the Treasury at the cost of infringing a "minor" law or two. But others are widespread and casual: citizens who always pay their taxes and never run red lights, yet smoke an occasional—or not so occasional—joint, listen to music illegally downloaded from the Internet, purchase knockoff Louis Vuitton bags—all are among the faces of illicit trade today.

The point is not to compare ordinary shoppers to international criminals. Of course the ringleader of a band that traffics in women for sexual exploitation deserves the harshest possible punishment. But what about the men who purchase these services? Or the families that rely on illegal aliens for the domestic help that allows both parents to pursue a professional career? Are the crimes equivalent? Of course not. But we will never make progress if all our attention is placed on the suppliers of illicit goods and not the upright citizens whose appetite for them creates the incentives that make it all possible. In too many instances fighting the illicit trades is not a battle

of “us”—honest citizens—against “them”—criminals, often foreign. In reality the differences between “us” and “them” are frequently blurred. Any solution needs to include the customers: “normal” members of their communities who have habits, needs, and behaviors that feed the demand that makes illicit traders immensely rich.

**GOVERNMENTS CAN'T DO IT ALONE.** Antitrafficking strategies based on government action alone are doomed to founder on government's inherent limitations—national frontiers and bureaucratic processes—that traffickers have so adeptly turned to their advantage. And if governments can't curb illicit trade within their own borders alone, it follows that they can't do it beyond their borders, either. Illicit trade is a bigger problem than any one country, police force, or military or spy agency can tackle alone. This holds true for powerful governments that have the capability to intervene outside their own borders as much as it does for less powerful and more resource-constrained nations. Unilateral action can produce occasional and spectacular short-term results, but it has yet to score a long-term victory in the fight against illicit trade.

But governments do have to be part of the answer. The biggest part, in fact. Battling illicit trade calls on lawmaking and law enforcement, pure prerogatives of government. It requires legal, police, and intelligence cooperation across borders. Without the legal authority and coercive power of governments, the fight is lost. That makes it all the more worrisome that illicit trade has managed to penetrate governments—and not just in poor and unstable societies—to the extent it has. And it makes it crucial that we find ways to equip government for the fight. This is not just a matter of reorganizing agencies or boosting budgets. More crucially, it is a matter of setting realistic goals and clear, reasonable public expectations.

With these basic points in mind, we can trace a path for success against global illicit trade. It involves six steps. They follow from one another, and they depend on one another for success. None is pie-in-the-sky. They involve extending and capitalizing on the most promising developments already under way. The hardest part is not

devising the strategy. It is putting it into practice. But if we

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devising the strategy but mobilizing the political will to make it happen. But if we stay true to what we have learned, we can do this too.

### **ENHANCE, DEVELOP, AND DEPLOY TECHNOLOGY**

The extraordinary pace of technological development is beginning to yield tools with unprecedented potential to help fight illicit trade. In fact, we are using the tools of the new century to tame the effects of the tools of the 1990s.

Since the watershed date of 9/11, the direction of research and development has substantially changed. It is now a priority to break the link between trade expansion and increased vulnerability. Scientists and engineers have honed in on tools that counteract the anonymity-enhancing developments and border porosity of the recent past. Identification, surveillance, tracing and detection are the new watchwords of research and development. They are producing a tide of commercial innovations that will throw obstacles in the path of illicit traders. Many of these are already in circulation, spreading into our daily lives more or less unobtrusively. Here are some examples.

**RFIDS.** Perhaps the fastest-spreading new tools with anti-trafficking applications are radio frequency identification devices (RFIDs). This technique is poised to overtake the now familiar bar code as the best way to identify an item and confirm its authenticity, register its origin and date of manufacture, and record its price. An RFID conveys radio signals that a specialized reader can collect and confirm. Some RFIDs have their own power source; others respond to the signal that the reader sends to them. Applications already range from inventory management in supermarkets to authentication devices on packages and bottles of medication. Likewise RFIDs are a potential tool for passports and visas: the United States has begun to issue RFID tags to foreign visitors at several border crossings with a view to possibly generalizing the practice.

**PACKAGE AND PRODUCT TAGS.** A cornucopia of other innova-

tive tags are becoming available to mark both packages and products. They include specialty inks and dyes, watermarks, holographs, wraps, and foils. Chemical and biological tags are minuscule enough to be applied to individual products no matter how small. Some can be engineered to synthesize or occur in the process of manufacture. These technologies will make it possible to identify and track products as well as their users.

**BIOMETRICS.** Also very quickly coming into practice is biometrics: the use of unique physical characteristics to identify a person. Voice recognition technology has come a long way beyond the crude and fallible methods used on dictation devices. But devices that recognize the iris of the eye or the shape of the hand or face are more reliable and secure, and will soon be familiar to anyone who travels internationally. The European Union is on a timetable to comprehensive adoption of biometric indicators on its passports, and the United States is making biometric recognition mandatory for foreigners entering the country. Biometrics has the potential to deeply disrupt the market for the millions of passports that are lost around the world each year.

**DETECTION AND SECURITY DEVICES.** Another set of tools travelers will soon know well are new detection devices that can identify suspect items or pick up traces of drugs and explosives far more reliably than the standard X-ray machines and metal detectors. They include backscatter portals—scanners that mercilessly contour the body to reveal any foreign items—and “puffers,” which blow air on passengers and analyze the particles set loose—ideal for picking up traces of drugs or explosives. At container port and railway terminals, large-scale scanners are being deployed that use three different technologies: X-rays, gamma rays, and neutron activation.

**SURVEILLANCE AND EAVESDROPPING.** These days and especially in wealthier countries, traffic intersections, bank transactions, building lobbies, stores, parking garages, and even some streets are constantly monitored, videoed, and photographed. The combination of the Internet with digital cameras has made monitoring a very common and inexpensive activity—even at great distances or from

high up in the sky. Satellites or submarines that can listen to conversations transmitted via phone cables on the ocean floor are more versatile and reliable than ever. New scanning devices can home in on conversations and decipher certain people, specific locations, or patterns of words. A highly classified project called Echelon consists of a worldwide eavesdropping capability that in theory enables its users to listen to any conversation—anywhere.

**SOFTWARE.** Powerful computer models and data-mining tools are taking detection to an extraordinary new level. Banks, for example, are spending considerable sums to implement AML, or anti-money laundering, software in order to conform to the requirement that they “know their customer.” Behavior detection applications can monitor the hundreds of millions of transactions that a large global bank processes and immediately spot events that fall into suspicious patterns. Government crime fighters are turning to similar software for “social mapping”—logging huge numbers of transactions and interactions to establish the structure and behavior of networks.

**TRACKING HUMANS.** A set of tools with rich commercial prospects are those that track human beings, in particular using global positioning satellite (GPS) location-tracking technology. Cell phones loaded with GPS software are becoming popular among parents of teenagers in various countries, to help them make sure that the kids are going where they say they are—or simply that they are safe. As the kidnapping business expands in numerous countries, such tools take on a very powerful value. In one instance that feels extreme for now but may seem less so in years to come, some wealthy businessmen in Sao Paulo, Brazil, have begun wearing microchips implanted under their skin to help locate them in the event of abduction.

**BIOTECHNOLOGY.** The revolution in biotechnology will do more than just help with DNA-matching identification methods. A U.K. biotechnology company called Xenova, for example, has tested an anticocaine vaccine that helped 58 percent of the users tested to shed their habit. Biotechnology combined with microelectronic and

nanotechnologies is expected to spawn a powerful arsenal for governments intent on curtailing illicit trades.

But the list of privacy-invading technologies is also offensive and threatening to anyone who considers governmental intrusion in our individual life unacceptable and even dangerous. Governments armed with detailed information about the private lives of their citizens—their jobs, possessions, income, family, and even personal habits—have been prone to misuse it. Justified fears of incompetence and abuse make the public balk at the idea of granting those in power access to their personal information. And history is full of tragic instances when governments have harmed innocents based on incorrect data or used their privileged access to intimidate or repress political opponents. Times when lists of citizens have been employed for the political persecution of entire social groups, even genocide, of course loom large in any debate about how much governments may snoop into people's lives. That is why many constitutions enshrine the individual right to privacy. In the United States, famously, the Fourth Amendment to the Constitution sets out that "The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated."

But just what is "reasonable"? As we saw after 9/11, the public is capable of major shifts in attitude toward privacy. Different countries will reach different results when attempting to balance public safety and personal privacy, homeland security, and civil liberties. And some societies, particularly the United States, exhibit a perplexing tolerance for private companies to "mine" personal data. Citizens often willingly share confidential information with the anonymous employees of private corporations, yet furiously resist government access to even a fraction of the same information.

The inevitable reality is that the technologies that enable those in power to be more intrusive in our lives are here. How widely they are adopted will depend on how good governments are at using them and how effectively they help fight criminals and terrorists. After all, successful technology development does not guarantee suc-

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cessful, widespread international implementation. Research doesn't  
come cheap. Rich countries have a natural edge, and they will be  
leery of sharing the resulting tools with governments they do not  
trust. At the same time, nothing guarantees that wealthy countries  
will always invest wisely. As we know from so many other areas  
of human activity, technology may be a necessary condition for  
progress, but it is never sufficient. Indeed, believing that technology  
alone can save the day in the fight against illicit trade can be a fatal  
mistake.

### DEFRAGMENT GOVERNMENT

It is easy to expect too much from technology and fall into a tech-  
nocratic fantasy in which problems that have deep socioeconomic  
and political roots are solved by throwing new technologies at them.  
Technology alone never works if the people and organizations that  
have them don't use them well. If governments don't change their  
ways, the new technologies amount to waste that creates the illu-  
sion of progress when in fact it opens up huge new vulnerabilities.

Take for example the project that the FBI code-named Trilogy  
and that critics came to call "Tragedy." In March 2005 the bureau  
found itself forced to write off \$170 million that it had invested in  
a case management database system that didn't work. It was an ap-  
palling waste not only of resources, but also of precious time. More  
than three years after 9/11, FBI agents were still without a tool cru-  
cial to their daily work. "I am frustrated," the FBI director Robert  
Mueller said when he announced the failure of the project. "I am  
frustrated that we do not have on every agent's desk the capability  
of a modern case management system." The reasons for the failure  
were very illustrative. The project was plagued by "escalating costs,  
imprecise planning, mismanagement, implementation problems,  
and delays," said one U.S. senator familiar with the situation. The  
contract for the "virtual case file" system had been changed thirty-  
six times.

Similar stories are common at the Department of Homeland

Security, which the *Washington Post* described in 2005 as remaining “hampered by personality conflicts, bureaucratic bottlenecks and an atmosphere of demoralization, undermining its ability to protect the nation against terrorist attack, according to current and former administration officials and independent experts.” Its Immigration and Customs Enforcement (ICE) branch suffered so severe a financial crisis for more than a year, the article said, that the use of agency vehicles and even photocopying were at times banned—this at the government agency charged with confronting some of the wealthiest criminals of all time. Ironically, ICE was at the same time part of the domestic security agency with the world’s largest budget. Similar stories of waste inefficiency and misguided efforts also hampered the agencies in charge of increasing the security of ports and airports in the United States.

These problems are not exclusive to the United States, of course. They plague all governments; in fact, it can be argued that the U.S. public sector is more competent and better endowed with resources, talent, and flexibility than most others. Nowhere do technologies solve interagency turf battles or even simple differences in bureaucratic outlook. Every agency has its own culture and procedures. Customs, border patrol, immigration, police, military, coast guard, financial investigators, diplomats, and spies bring different backgrounds, training, and priorities, even to fundamental shared goals. Those differences can all too easily result in tunnel vision. Even the most capable governments are hard put to make sure that one hand does not undo the other hand’s work. The top crime fighters that I interviewed around the world shared a deep frustration with the seemingly congenital fragmentation of the government response to illicit trade.

So what to do? Unfortunately, the solution must involve a unified government organization—one with the scope, authority, and skills to counter the entire spectrum of illicit trade activities. This is unfortunate because smaller agencies tend to be more efficient. Yet just as illicit traders no longer distinguish between the products they move, separate government agencies for separate trades have

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in 2005 as remaining bottlenecks and an inability to protect the present and former admissions Immigration and Customs Enforcement's severe financial problems—the use of agency funds—this at the expense of the wealthiest nations at the same time part of the world's largest budget. These efforts also hamper the security of ports and

become hindrances in the fight against trafficking. Their bureaucratic boundaries play into the traffickers' hands. So does the way these agencies typically compartmentalize disciplines. Often, police who raid warehouses and financial analysts who trace suspect bank transactions barely communicate. Complicated information-sharing procedures give traffickers a precious time advantage. In a world of decentralized, adaptable criminal networks, the time available between analysis (figuring out what is going on) and operations (stopping it) is dwindling quickly. Assigning these tasks to separate agencies is a debilitating but common practice. So is allowing them to drift apart within the same agency.

Bringing together cops, lawyers, accountants, economists, computer scientists, and even social scientists into tightly integrated, highly functional teams with operational latitude is a challenge, yes. But it is not insurmountable. Task forces drawn from different agencies—even across borders—have succeeded in dismantling trafficking operations and putting away major players in the trade. The problem is that task forces eventually dissolve, each member returning to his or her original agency, while traffickers regroup and adapt. Sustaining a “task force mentality” across multiple agencies into the indefinite future collides with everything we know about how public administrations prefer to operate. But the fight against illicit trade is too important and the opponent too potent to leave to separate agencies.

Hence an integrated view of illicit trade dictates an integrated approach to fighting it. And there is no substitute for an integrated agency with full responsibility for this task. Which raises, of course, the problem of how to make this agency work. This is what defragmenting government means: bring together scattered efforts in order to be more effective. But just as an overreliance on technology can create the illusion of a solution, integrating government efforts by just moving organizational “boxes” around and placing them under the authority of a “czar” can be an equally dangerous illusion. In the United States, the Department of Homeland Security created an illusion of unity when, in reality, rearranging the same bungling,

uncoordinated agencies became a source of waste and perhaps even of heightened vulnerability. When muddled ideas are combined with huge amounts of money, petty bureaucratic politics, and an urgent, massive task, inefficiency and ineffectiveness are guaranteed.

Defragmenting government entails bringing together agencies to produce better-coordinated efforts. But this can work only if there are clear plans, multiyear budgets that extend the time horizon beyond just the most immediate emergencies, and solid, competent leadership.

But there is more. No government can be effective if its goals are unrealistic. There are no organizational solutions to the problem of bureaucracies charged with tasks that are constantly growing and increasingly unreachable. Unless the tasks of government are simplified and priorities for action are chosen more selectively, the idea that the problem can be solved by reorganization alone will continue to be an illusion.

#### **GIVE GOVERNMENTS GOALS THEY CAN ACHIEVE**

Regardless of organization or budget, no government agency anywhere can fight the law of gravity. Yet this is the mandate we give agencies in charge of curbing illicit trade. Stand between millions of customers desperate to buy and millions of merchants desperate to sell, and stop them—this is what we are asking governments to do. In most countries the results are not that different from the ones you would get trying to stop a boulder rolling down a steep mountain: the government is crushed. More concretely, it is either corrupted by the traffickers or left to believe that the daily successes it scores against them are a sign that victory is at hand. Or can be at hand—if only more resources, more technology, or more power were made available to the gravity fighters.

Unfortunately, most societies, governments, or agencies seem unwilling to acknowledge and act upon the fact that both suppliers and their clients are increasing, that the volumes of the trade are

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booming, and that new illicit trades are constantly appearing. Much less are they ready to accept that a different approach may be necessary. Yet any honest assessment will show that this reality is as undeniable as the law of gravity. Another approach is indeed desperately needed.

And it starts with the recognition that some of these illicit trades need to become licit. Does this mean the decriminalization of the traffic in sex slaves, nuclear material, or heroin? Of course not. But it does mean that the resources now wasted enforcing the prohibition of marijuana, all counterfeits, or temporary illegal workers should be deployed in the fight against the more dangerous illicit trades. Despite its prohibition, marijuana is readily available, as are all kinds of counterfeits. And when was the last time anyone you know had trouble finding and hiring an illegal worker? Decisions to decriminalize are difficult, controversial, imperfect, and not without risk. But so is continuing with the pretense that the current approach is taking us to a superior social situation. It is not.

Decriminalizing some of these trades is a pragmatic necessity. And it means coming to terms with a simple reality. In the era of globalization, it is simply impossible to make all borders safe against everything at all times. Even the iron curtain was permeable. With today's volumes of travel and trade, communication tools and use of cyberspace, there is no impregnable barrier. We must make choices—between the activities we focus our resources on repressing and those for which a different approach is more suitable.

Fortunately we have tools to help us make intelligent choices. A rich stream of research by economists, sociologists, public health specialists, and others helps us to understand the economic incentives to illicit trade and measure its economic and social costs as well as those of proposed alternatives. Two principles are vital to these decisions and are best applied together. The first is *value reduction*. As with any other economic activity, illicit trade grows the more value its participants derive from it. Drive out the value from an economic activity, and its prevalence will diminish accordingly.

This basic tenet of market-based reform is as valid for illicit trade as for anything else.

The second principle is *harm reduction*. Simply put, this means measuring the social harm that an illicit trade activity causes and comparing ways to fight it by the extent that they lower this harm. Researchers have honed tools to make these estimates. They underlie, for instance, the choice that many countries have made to invest in treatment over incarceration or in needle exchanges and HIV/AIDS education for addicts. Thinking of illicit trade in terms of harm is a productive alternative to the discourse of moral reprobation. And it is not as big a jump as one might think. For it turns out that the activities that most people would find highly immoral are also among the most costly in their social impact.

There is a third, more pragmatic consideration. To ignore it would be unrealistic. It is the budgetary constraint under which governments operate. To conduct a wholesale repressive strategy against every aspect of illicit trade is impossible even for the wealthiest nations. For poorer countries with such other urgent concerns as unsafe water, illiteracy, and child mortality, it is a pipe dream. Focusing the combat against illicit trade is essential if developing countries are to have a chance. And because traffickers know no borders, success in poor countries is essential to success in rich countries and vice versa.

In practice, what does this mean? Deregulation, decriminalization, and legalization have to be policy options, subject to the test that they reduce the value to traffickers *and* the harm to society. It also means that policies that have proven *not* to have this effect should be open to reevaluation. For every measure to combat illicit trade on the table, we should ask the following: Will it make trafficking less lucrative and desirable? Will it redirect traffickers from more harmful to less harmful activities? Will it lower the incentives that lead so many government officials, corporate executives, bankers, and consumers to play their part, big or small, in illicit trade? Of course, not all these questions can be answered in advance. Still,

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economic value and social cost should be at the heart of our response to illicit trade, rather than brushed aside at decision time, as happens all too often.

In many ways this rethinking is already quietly happening. Decriminalization of soft drugs such as marijuana is widespread in Europe and elsewhere, including Canada, whether by law or in practice, as police focus on matters of greater urgency. The result is not a proliferation of legal hash bars on the Amsterdam model. Rather, it is the end of prosecutions for possession and consumption of small quantities for personal use, which de facto legalizes the small-scale trade and allows law enforcement to focus on wholesalers who are likely involved in multiple criminal businesses. Rather than open the door to an increase in crime and antisocial behavior, decriminalization in Europe has produced a decade's or more worth of experience from which countries newer to reform might draw. Even socially conservative Chile is reforming its drug laws to distinguish trafficking from small-scale dealing and use, so that small-time users are no longer subject to heavy jail terms and the police and courts can focus their efforts elsewhere.

Drugs are not the only front where countries are sharpening their focus. In Europe and the United States the pressure to repress illegal immigration is matched by business interest in encouraging legal immigration for both skilled and unskilled labor. Periodic measures to regularize the status of certain illegal immigrants are becoming common, even if they are subject to various conditions. Such amnesties—throughout southern Europe, for example, but also in the United States—demonstrate the recognition by governments that airtight border controls are an impossibility. They also acknowledge that the laws must sometimes—often—catch up to social realities that most people have already come to take for granted.

Other, less familiar experiments are also under way. Sweden, for instance, has legalized the sale of sexual services. But that does not mean legalizing prostitution, for the purchase of such services is

now forbidden. In other words, Sweden has shifted the risk from the prostitute to his or her customer, calculating that penalizing the customer is a much more effective way to deter demand—which results in lowering the value traffickers can expect to gain from bringing their chattel to the country. This example shows that paying attention to the demand side of illicit trade is by no means a euphemism for legalization. Rather, it is part of confronting illicit trade for what it is, a phenomenon driven by economics.

The same is happening with counterfeits. Companies are increasingly recognizing that technology, not lawyers, affords the best protection against copycats. Investing in new features that make counterfeiting harder or impossible is a safer strategy than relying on the patent protection prowess of the Chinese government, for example. Not all companies have this luxury, and many still actively lobby their governments to protect them against this economic law of gravity: merchandise in great demand that can be copied will be illegally copied by someone, somewhere in the world. To ask governments to fight every instance of this phenomenon is to dilute their ability to defend intellectual property where it counts the most.

Making government more effective means giving its agencies mandates that are realistic, and that in turn often means getting the government out of some activities so it can do better with other more urgent and necessary ones. “Nobody fully understands the complexity of our task,” said Tom Ridge, the first secretary of the U.S. Department of Homeland Security, as he prepared to step down from his job in 2005. He was right. To have a system that makes sense we need to unburden government and simplify its tasks.

#### **FIGHT A GLOBAL PROBLEM WITH GLOBAL SOLUTIONS**

Unburdening governments is essential. But of course the benefits of even the best-thought-out government strategy run the risk of end-

ing at that country's borders—and with them any prospects for long-term success. But illicit trade is a cross-border problem. And the only solution to a cross-border problem is a cross-border solution. Which means that international cooperation is imperative. These are unassailable facts based on simple logic. They also have fiendishly difficult implications for action.

Working with others is never easy. Working with foreigners is even less so, especially for governments. The arsenal of international treaties and conventions that govern illicit trade function better to enshrine global standards than to actually enable successful prosecution. Stories of international collaboration undermined by corruption, noncompliance, or absence of trust litter the headlines. But in the case of illicit trade, the alternative to international cooperation is to cede the field to the traffickers, who will find ways to penetrate even those countries that invest the most in patrolling their borders. In other words, the alternative is not an acceptable one. We need to find ways to make international cooperation against illicit trade work.

The ways exist. First, a smart multilateral approach to illicit trade has to be selective. Universal organizations suffer from the same pitfalls as the treaties that bring them into existence. The example of Interpol—the global police cooperation agency that is crippled by lack of trust between member forces—contrasts with the successes that many countries have enjoyed working together in pairs or small groups. Incremental, trust-based approaches deliver better, more convincing results than does starting with an ambitious global treaty from which most countries in practice defect. Bilateral treaties, technical assistance, and extradition agreements are nothing new. A more novel approach that has shown some success is peer review. Peer review is the method the Financial Action Task Force, the G-8 group of industrial countries' anti-money laundering and financial crime outfit, has employed with some real success. The FATF model is based on a few critical countries opting in by meeting a list of qualifications. Not every country is invited into the

FATF. Quite the contrary. The key to the FATF's successful operation is mutual trust, which is generated the only possible way—through a careful, deliberate process.

Despite the enormous problems faced by the European Union (EU), its attempt to tightly coordinate public policies and establish durable common institutions—the commission, the parliament, the court of justice—they strengthen its ability to deal with transnational problems. The EU makes adherence to its norms on a wide range of issues, including illicit trade, a prerequisite for new members.

The shared commitment—as well as the existence of political institutions to enforce it—means that types of collaboration at which other countries might balk are more likely to succeed among the European countries. The European police agency, Europol, is an interesting experiment. Europol was established in 1992 on the Interpol model. But Europol's secure place within the European Union earns it greater trust—and resources—from the member countries than they place in Interpol.

There are ways to pick one's partners and build trust. But what is unavoidable in all these approaches is some degree of flexibility with regard to the concept of national sovereignty. The FATF, the EU, and other groups all limit to a degree the exercise of sovereignty by their member countries with respect to a specific set of issues. This approach in fact provides the only hope to limiting the constant and far more harmful violations of national sovereignty that illicit traffickers inflict on nation states on a daily basis.

The lesson here is a difficult one for governments. It is that the most effective forms of cooperation to curb illicit trade are also the ones that invite the most mutual scrutiny—what governments are usually quick to call “meddling.” It offends traditional notions of national government based on sovereign privilege, a state's prerogative to legislate as it wants and without another's opinion. Yet without allowing such “meddling,” it seems unlikely that governments will ever trust one another, learn from one another, and work together fast enough to keep up with the trafficking networks. All this sounds

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and may even be quite naive. But it is more naive to assume that a government acting alone can make a dent in a global problem like illicit trade.

### **BUILD POLITICAL WILL**

The tools to wage a more successful fight against illicit trade are within reach. So are new approaches that squarely confront the economic drivers of illicit trade and its social cost. Models of how to organize and equip governments for the fight are emerging. Even the vexing problem of achieving international cooperation in this most global of fights presents glimmers of possibility. It is a picture that should inspire hope.

So what is stopping us? The answer lies in politics. Consider the politicians on whom making these changes is incumbent. They weigh their interest in potential reforms and innovations by the measure of political realities in their constituency. Will their backers—voters, financial supporters, allies within their political party, vested interests in their home region or ethnic group, and so on—stand by them when they call for new policies? Is public opinion sensitive to the issue and sufficiently interested compared to other concerns? Is it worth the political risk to go out on a limb and argue for a major correction to long-established policies, a rethinking of long-entrenched interests? It is easy to blame politicians for being timorous, or following the winds of public opinion as expressed in polls and focus groups. Passing the measures required to combat today's illicit trade does involve real political risks. We can hold politicians to a standard of courage, but we can't expect them to be foolhardy.

For there are sacred cows here. The biggest is how accustomed we are to thinking of illicit trade in primarily moral terms. It is absolutely true that a full panorama of illicit trade today produces enormous shock and horror at the callousness, greed, violence, and depravity that trafficking can entail. But moral exhortations can actually stifle the kinds of political innovation we so desperately need

if we are to jettison the strategies that are proven failures and have the courage to attempt new ones. Many are the politicians who have taken refuge in morally tinged denunciations as a substitute for transparency and educating the public. Unfortunately, the apparent hypocrisy of politicians often mirrors that of their voters. Few politicians have the luxury or the skills to lead their constituency beyond the moral certitudes of their times. One chagrined U.S. senator told me, speaking on condition of anonymity: "I have no doubt that what we are doing on the war on drugs is not working. But I also have no doubt that if I say it and come out in favor of legalizing some drugs, marijuana, for example, I will lose my next election." He continued: "I am ready to accept that new bold measures that break with what we have been doing are necessary. But my voters are not."

Facile moral certitudes make political innovation difficult. So do facile certitudes about national sovereignty and the outside world. Pooling some sovereignty among trusted partners is a necessary step to fight illicit trade. But it is often interpreted to the public as a sign of weakness, a surrender to a supranational authority that is unelected, unaccountable, and foreign. Giving the impression of tampering with nationhood is as much a third rail for politicians as is appearing to promote immorality. Indiscriminate nationalistic rhetoric makes it difficult to distinguish the careful, specific measures involved in peer-driven partnerships, or concepts like the EU's "subsidiarity," which determines the sovereign privileges that are pooled versus the ones member countries retain. It is paradoxical that the aversion to "meddling" so often heard in the United States finds its echo in countries that the criminal networks have penetrated, where it is invoked to ward off international scrutiny. Rabid nationalism works quite well to ensure that no foreign spotlight interferes with the business of global criminals that have long abandoned loyalty to any flag or country.

That scrutiny is more urgent than ever, for so long as the networks find safe havens in locations like Transdniestria, Liberia, Ukraine, Cambodia, China, and Russia, the easier they will find it to regroup and regenerate whenever they suffer a setback. In these

countries, political will to fight the traffickers must be generated and supported from outside. It is up to the less corrupt governments of other countries to bring this pressure and support by promoting openness, transparency, and democracy and by forging effective antitrafficking partnerships with other nations that widen the scope of mutual trust. But these governments must also recognize the role their own laws often play in boosting the profits of illicit trade.

### GET EVERYONE INVOLVED

Governments can't do it alone; neither can politicians. Nurturing the political will to confront illicit trade is a project for us all. Politicians need public pressure to take on the issue and public support for them when they do. None of which is possible without a degree of public awareness of illicit trade that we have yet to achieve. It will take the efforts of activists, journalists, academics, clergy, educators, and even novelists and screenwriters to portray to the public the reality of illicit trade today and how it clashes with the received ideas of the past.

The key is to understand the nature of the threat. As much as the public has heard that terrorist organizations today are made of flexible, decentralized cells structured as networks, much media and political discussion of the fight against terrorism still dwells on leaders, masterminds, and rogue regimes. The point is not that masterminds or rogue regimes don't exist. Rather it is that the public has little way of visualizing what exactly these networks are, how prevalent they can be, and how far into daily life they can reach. Moreover, the discussion is still generally limited to the threat of terrorist attacks. The notion that terrorists are only a small part, with special motivations, of the global networks of illicit trade is only beginning to become clear. So is an appreciation of just how far illicit trading networks have gone to hijack the new world economy.

To understand the threat means to make the connections. The dots are there to be connected. Yet we persist in thinking of human trafficking, drug dealing, software piracy, and so on as discrete be-

haviors with at most incidental connections. These blinders are part reassurance. We don't like to think of ourselves as criminals, and dwelling on the interconnectedness of minor foibles like downloading a copyright-protected song and major horrors like child slavery and African civil wars is bound to make us uncomfortable. But that would be missing the point. Most of us are not criminals. Still, we gain from understanding who benefits from our activities and who pays the cost; what are the laws and incentives that make it that way; and how we can change it.

Making the connections is a task for civil society—that is, for all of us. It is what we know how to do when we are not blinkered by the hierarchical structure of governments or massive corporations. Empowered by the same tools that make the trading networks so effective—horizontal organization, irrelevance of borders, decentralized communication and leadership, viral propagation of ideas, creative freedom to exchange using new technologies—groups formed in the public interest and simply concerned citizens have an enormous contribution to make. Just as citizens band together in “neighborhood watch” groups when they realize that government can't or shouldn't monitor everything all the time, so the fight against illicit trade demands a global neighborhood watch, in which teachers and activists and the media goad, cajole, and persuade politicians into action and support and assist them when they do.

How does that happen? Through education, through mobilization, through election campaigns. It's hard work, and there are plenty of other priorities. Yet if we stand back and consider how much the world has changed and into what kind of world order we are headed, the rationale for mobilizing against global criminal networks will become clear, and also urgent.

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## THE WORLD AHEAD

The politics of a world altered by pervasive illicit trade creates a new global opposition between two poles. It is no longer the old opposition of East and West, nor that of a rich North and a poor South. It is even less the opposition that some now see between Judeo-Christian and Islamic cultures. Rather, it is something new, the collision of geopolitical bright spots and black holes.

In astrophysics, black holes are regions in the universe where the traditional—Newtonian—laws of physics do not apply. The pages of this book are full of examples for which traditional ways of thinking about world politics and international relations do not apply either. Moreover, these pages also show that the world does not lack for regions and even countries that are not “normal” according to the standards commonly used by scholars and policymakers. In many important ways these are “geopolitical black holes.”

Geopolitical black holes are the places where the trafficking networks “live” and thrive. To enter one, you need not look very far. Travel for instance to Spain’s Costa del Sol, for decades the destination of middle-class package tours from Britain and Germany. Despite one of the highest unemployment rates and lowest incomes in Spain, Málaga, the main city in this well known “first world” tourist area, has experienced a 1,600 percent increase in private home construction in five years. Why? Because, as a chief police inspector told the *Financial Times*, “Criminals are businessmen these days . . .

they want good travel connections, an efficient banking sector, nice weather and anonymity. They can get all that in Málaga."

The same report notes that 550 criminal groups operate in Spain, half of them foreign. José Antonio Alonso, Spain's interior minister, said that that organized crime was "as big a threat to Spanish security as Islamic terrorism." This might come as a surprising revelation in a country reputed to be one of the prime European hubs of Islamic terrorists, and victim in 2004 of a terrorist attack that killed 191, injured 1,500, and torpedoed the government into electoral defeat. Yet the fact is that the Costa del Sol is now commonly called "Costa del Crime." In its own sunny way it has become a geopolitical black hole that all kinds of transnational traffickers whose actions contribute to global instability use as one of the multiple hubs of their networks.

Manhattan, for all its investment in fortifications and security since 9/11, remains an entrance point for the threats originating in geopolitical black holes. That is what a task force of the FBI and New York Police Department found as it investigated Russian organized crime in 2004. Posing as representatives of a terrorist organization, the team found an Armenian, Artur Solomonyan, and a South African, Christiaan Dewet Spies, ready to sell them a range of sophisticated military-grade Russian weapons including heat-seeking antiaircraft and guided antitank missiles. Delivery was available at the customer's convenience in New York, Los Angeles, or Miami. And yet more interesting products were on offer: as one agent testified in his sworn statement, "Solomonyan informed the CI [confidential informant] that he could also obtain enriched uranium for the CI which, Solomonyan suggested, could be used in the subway system."

Of course, geopolitical black holes can for a time match up with the borders of a state. "Failed states" or "rogue nations" can easily turn into geopolitical black holes. Failed states include the remote and isolated places where the rule of law is nonexistent and warlords and despotic rulers misgovern with impunity in sometimes medieval fashion. Somalia, Congo, or Haiti are iconic examples.

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North Korea, Iraq under Saddam Hussein, Lukashenko's Belarus, and (until 2004) Libya have all been commonly cited as rogues.

The black holes can be "lawless"—that is to say, anarchic—regions within countries like Transdniester in Moldova, the mountain heart of Corsica, or the Mexican states that make up the border with the United States. They can be frontier regions that cross countries like the Golden Triangle of Southeast Asia or the "triple frontier" of South America. They can be systems of neighborhoods and localities, such as the Lebanese communities across the capitals of West Africa. And increasingly they are disembodied space on the Internet. Simply because they are hard or impossible to pinpoint on a map does not mean they do not exist. Quite the contrary—those qualities are what make them attractive to the networks.

The opposite of a geopolitical black hole is a bright spot. What distinguishes the two is not whether illicit networks are operating. They are, everywhere. The difference is whether in a given setting there is enough state and civic capacity to counter the networks, to get the better of them. And that is not purely the responsibility of governments or that of citizens. It is both. That is the difference between a geopolitical bright spot and black hole. It is a difference that can cleave in two a country, a city, or even a family.

### BLACK HOLES VS. BRIGHT SPOTS

As sovereignty erodes and nations face growing difficulties in controlling their borders, there is every indication that the geopolitical black holes that illicit networks have come to inhabit and cultivate are only going to expand. And unless major changes take place, it is safer to assume that in the future the world will have more, not less, of these geopolitical black holes.

Governments in less-developed countries that are already weak will be further weakened as the illicit networks operating inside their territory amass large fortunes. Inevitably the networks will invest those fortunes in the pursuit of political influence and military capabilities that can rival those of the governments of the countries

where they operate. At the same time, governments in rich countries will face growing difficulties in curbing the influence of black holes in their midst that are stealthily but effectively connected to others abroad. The Dutch government, for example, has been fighting an uphill battle to contain networks inside Holland that are the appendage of powerful drug trafficking networks operating from Suriname—a former Dutch colony in South America that has become a “connector” between the Andean region and Europe. Similar patterns are visible in all of Europe and in Japan, where local traffickers are operating regional networks throughout Southeast Asia and China.

Traditional thinking assumes that a nation-state has a unique, sovereign government with exclusive authority over a territorially defined jurisdiction. The German sociologist Max Weber defined government as “the organization that holds monopoly on the legitimate use of violence in its territory.” Moreover, according to a commonly used definition, a nation-state has (a) a permanent population; (b) a defined territory; (c) a government; and (d) capacity to enter into relations with the other states.

None of these criteria apply to geopolitical black holes. Multiple authorities may exert control over the same territory, and inside geopolitical black holes the traffickers of illicit goods who are connected to larger global networks have a defining role in economic, political, and military affairs. Central government representatives may control the police, schools, and other aspects of civil life, but trafficking networks will have control over the production, armed protection, and international distribution of whatever that region has that fetches high prices in world markets—from opium to arms to people. Trafficking networks will also control the profits and have the coercive means to defend their activities from threats (governments) or predators (rival networks). The situation in parts of Colombia, Russia, Afghanistan, Mexico, Laos, and many places in Africa and Asia today fit this description.

A crucial factor—and one that gives black holes much of their potency—is their specialized *connectedness* with bright spots. A re-

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mote, primitive, and badly governed—or ungoverned—region is not a geopolitical black hole unless it can radiate threats to places far away. The trading networks that operate internationally serve as the channels through which these threats move from remote locations to the rest of the world.

In this future world more deeply divided between bright spots, defended and fortified, and black holes, vulnerable and overrun by international traffickers, an important paradox emerges.

It is this: The more the fortified and successful bright spots are at defending themselves, the more value there is in breaching their fortifications. The brighter the bright spot, the more attractive and lucrative it is for the networks operating from black holes to find ways to deliver their products and services inside it. Illicit trade is essentially determined by price differences: wood that is far more expensive in Los Angeles than in Indonesia, coca leaves that can be processed and sold in Miami for hundreds of times what it cost to buy them in Bolivia, Cameroonian workers who earn in London what they could never dream of making in their own country. The brighter the bright spot, the higher the prices these illicit goods can command. The darker the black hole, the more desperate its people will be to sell their goods, their minds, their work, and even their bodies to the traffickers. Together these two trends create ever-widening price differentials—and, therefore, ever more irresistible incentives to connect black holes to bright spots.

### IDEAS AND CONSEQUENCES

Seen in this light, with the benefit of the evidence that is amassing each day around us, the connections between illicit trade and global security (and insecurity) are powerful, glaring, and dire. Illicit trade is pushing the world in new directions that so far have eluded our capacity to comprehend, let alone arrest. Unchecked illicit trade is making the world less safe. It empowers those who reject or care little for governance and social norms. It provides an economic shelter for rebels, crooks, and terrorists. It stimulates corruption, im-