

## Chapter Thirteen Global Crime

Crime presents a multiplicity of faces around the globe, many of them reflections of the patterns that globalization has created. Like globalization, 21<sup>st</sup> century global crime has gone high tech, with criminal networks using advanced computer technologies to plan the marketing and transport of drugs, the laundering and smuggling of money, and the creation of false trails for banking security and law enforcement (International Crime Threat Assessment, 2000). The high volume of commercial global air travel makes the rapid movement of contraband, humans being trafficked, and the movement of criminals themselves difficult for law enforcement to follow. The corruption of public officials around the globe, the increase in the number of failed states run by criminal elements, the regular revelations of corporate and white collar crime, the rampant theft of copyrighted products and materials, and the growing wealth of organized crime syndicates all show global crime keeping pace with the growth of globalization. And like the transnational corporations that do a major volume of business with one another, crime syndicates around the world now collaborate. From the illegal mining of diamonds in Sierra Leona, to the coca leaves grown in the Andes, to the opium poppies cultivated in Afghanistan, to the slave trade in Asia, crime has become an integrated shadow form of global big business.

According to the United Nations Millennium Project:

Transnational organized crime continues to grow in the absence of a comprehensive, integrated global counter-strategy. Havocscope.com estimates world illicit trade to be over \$1 trillion per year, with counterfeiting and piracy at \$533 billion, the global drug trade at \$322 billion, trade in environmental goods at \$57 billion, human trafficking at \$44 billion, consumer products at \$60 billion, and weapons trade at \$10 billion. McAfee adds cybercrime at \$105 billion. These figures do not include extortion or organized crime's part of the \$1 trillion in bribes that the World Bank estimates is paid annually or its part of the estimated \$1.5–6.5 trillion in laundered money. Hence the total income could be well over \$2 trillion—about twice all the military budgets in the world. Governments can be understood as a series of decision points, with some people in those points vulnerable to very large bribes. Decisions could be bought and sold like heroin, making democracy an illusion. . . . The UN Office on Drugs and Crime is giving priority to human trafficking, corruption, and reducing demand for drugs. There are more than 27 million people held in slavery today (the vast majority in Asia), far more than during the peak of the African slave trade. UNICEF estimates that 1.2 million children are trafficked every year" (Millennium Project, 2008).

## **State Sponsored Crime**

As globalization grows, so have the forms of state sponsored crime. To take examples just from 2008, the United Nations and a variety of international human rights organizations such as Human Rights Watch and the International Red Cross have repeatedly pressed Iraq's invader, the United States, to stop human rights violations of foreign prisoners held at Guantanamo Bay, Cuba, Bagram prison in Afghanistan, and other unnamed prisons around the world. Amid deadly terrorist bombings by insurgents in Afghanistan, the recently formed Afghan government makes only a token effort to interrupt opium poppy cultivation in much of the country. While collaborating with NATO and the U.S. in fighting insurgents, Afghanistan has issued strong protests against a series of killings of its own civilians by occupying United States forces. Meanwhile Pakistan has told the United States to stop sending troops across its borders pursuing Taliban fighters, saying it will fire on U.S. forces to protect Pakistani sovereignty. In Nigeria, the Sudan, Somalia, the Central Republic of Congo, Georgia, and a variety of other countries, a mosaic of violent acts precipitated by governments continues to raise doubts about government leaders forsaking the rule of law and embracing policies of violent criminal behavior. So state sponsored crime can result from opposites—conscious government initiatives to manipulate global events and the global status quo, or from the complete reverse, from the inability of governments to provide public order and reasonable law enforcement within their own borders. (For further information on the latter, go to Failed States Index which draws on the Foreign Policy magazine annual review and is offered online by the Fund for Peace at:

[http://www.fundforpeace.org/web/index.php?option=com\\_content&task=view&id=99&Itemid=140](http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=99&Itemid=140)).

## **Manipulating Global Events**

The Cold War history of the last half of the twentieth century reveals a weave of covert operations and state-sponsored violence in which both major and minor powers contended for spheres of influence. With Russia and its vassal states in Eastern Europe on one side, and the U.S. and Western European NATO countries on the other, and with Israel simultaneously vying with its surrounding Arab states, the web of global tensions led governments themselves to commit a wide range of criminal acts. The aggressive foreign interests of transnational corporations added to the motivation for many of the covert actions taken by governments. Many countries spied, subverted other governments, assassinated leaders, bribed officials, sponsored military coups, conducted genocides, imprisoned innocents, attempted to control foreign elections, shipped arms, trained revolutionaries, and started armed conflicts—all in pursuit of spheres of political and military influence, advantages for transnational corporations, and control of essential economic resources such as oil.

These patterns continue in state-sponsored violence in the 21<sup>st</sup> century—for example, genocide in the Sudan, and uncontrolled violence in failed states such as Somalia and Afghanistan. Add to this picture hundreds of violent acts by terrorist organizations: commercial planes taken over and used as bombs; schools full of children taken hostage; train, truck, and vehicle bombings. Some thirty-three countries in the 21<sup>st</sup> century have suffered terrorist acts—violent terrorist attacks on businesses, government officials, and civilians. In short, crime has multiplied its forms and global reach, evolving as an integral part of globalization.

### **Commerce and Crime**

Despite the existence of an International Criminal Court (ICC), various divisions of the United Nations, and Interpol, the absence of effective global agencies investigating and punishing crime, and protecting citizens has left global hopes for the rule of law wanting. Effective international organizations have yet to appear. Definitions of crime vary among cultures, as does the tolerance for crime. Accepted business practice in one culture—for example, bribery—is defined as a crime in another. Some so-called trade practices—the captive employment of children, and the adulteration of toys, consumable products, and medicines with life threatening toxic substances—violate not just trade rules but also involve criminal violations in the country where they are produced as well as in the countries purchasing the goods. Celebrated recent examples include contaminated toothpaste and medicine from China that killed ninety-four people in Panama and sickened others in Europe (Castle, 2007). Poisoned dog food, defective airplane bolts, toxic fish, lead painted toys, defective car tires, pesticide tainted dumplings, and adulterated baby formula from China have also turned up in Europe and the U.S. (MadeBadInChina, 2008). While the number of such incidents is tiny compared to the total volume of safe China exports, the failure of the Chinese government to ensure against such dangerous product deceptions matches the failure of the U.S. Food and Drug Administration and similar agencies in other countries to find and reject such products. The resulting fears about foreign trade leave some consumers wary and add an air of uncertainty to all global commerce. Clearly countries exporting products have a responsibility to assure purchasers of their safety.

When beef with bovine spongiform encephalitis (“mad cow disease”) was discovered in the United Kingdom and in the United States, both countries at first hesitated to announce the findings for fear of ruining their trade in beef. As expected, dozens of countries immediately refused to accept beef from both sources of the illness, and demanded clear scientific assurances of food safety. Just where harm from a trade practice crosses the blurred line of commerce and becomes a crime remains a controversial, unsettled issue, which major trading nations have yet to resolve.

### **Crime Multiplies its Diversity**

In recent years international agencies have faced a variety of difficult demands to prevent crime, including a disputes over Nuclear Nonproliferation Treaty provisions, an investigation of Iran by the International Atomic Energy Agency (IAEA), and UN sanctions for North Korea and Iran, both of which insist on producing weapons grade uranium. Meanwhile, crime on a global scale took an almost infinite variety of other forms—from illegal aliens crossing many borders, to terrorists setting off bombs in the Egypt, Pakistan, and Indonesia, to transnational corporations (TNCs) exploiting slave labor to grow coffee (a global commodity) in West Africa. Because foreign investment has eased via globalization, a given nation's regulation of corporate crimes can affect a large number global investors. Witness in the United States former New York City Prosecutor Elliot Spitzer's prosecutions of some 56 U.S. investment banks for bilking international investors during initial public offerings of U.S. stocks, followed ironically by Spitzer himself, by then governor of New York, being forced to resign for criminal behavior in banking transfers for prostitution. The former prosecutor's fall from grace nonetheless left a record of major American businesses avoiding criminal penalties, but paying huge civil fines in the form of settlements in the billions of dollars to investors and national regulatory agencies such as the Securities And Exchange Commission (SEC).

Other SEC investigations continued to reveal more corporate crime. U.S. mortgage giant Fannie Mae paid a \$400 million fine in 2006 for its corporate leaders having overstated earnings by some \$8 billion in order to yield themselves more in pay, while in another court room that year jurors convicted former leaders of the bankrupt energy giant Enron (Romero, 2006). Unchastened, Fannie Mae and its partner mortgage giant Freddie Mac then collapsed in late 2008 amidst the swelling U.S. credit crisis over failed mortgage securities. With more than \$5 trillion at stake, corporate bankruptcies swelling, and the home loan market rapidly shrinking, the implosion of these two quasi-federal yet privately held corporations required a massive federal bailout and federal takeover, wiping out their stock values and depleting the values of other investment banks and lenders holding questionable mortgage backed securities. Large private U.S. banks and investment firms continued to write down the value of their assets by billions of dollars each quarter, and major firms suddenly went bankrupt. While the failure of regulation was clearly part of this crisis, just where the criminal charges would land remained uncertain as 2008 drew to a close.

Investors and banks across the globe faced losses in the Fannie Mae-Freddie Mac failure, just as they had six and a half years earlier in the collapses of Enron, Global Crossing, WorldCom, and other major U.S. corporations. The lenders to Enron were implicated as well in the Enron crimes, and in 2008 provided settlements of \$7.2 billion to stockholders for their banks' backing of the fraud at Enron (Hays, 2008). Across the Atlantic, the celebrated massive theft and fraud at Italy's largest food company, Parmalat, clarified the need for corporate

regulation to take a new global form if investors were to feel safe from corporate criminals manipulating funds and misleading investors about securities values.

Crime has evolved into a natural extension of the phenomenon we call globalization. On a grand scale, some say, the ultimate global crime goes unchecked, this crime in the form of global industrialization exhausting global resources and devastating global environments, imperiling humanity and all of the earth's species. The causes, consequences, and possible remedies for this crime receive more attention in a later chapter on the environment.

### **The Array of Global Crime**

The long list of global crimes and attempts to curtail them suggests that as corporations and nations seek global advantages over competitors, they use or countenance criminal behavior around the globe. Consider this array of ongoing crimes:

- *Human trafficking and sex slavery* throughout Eastern Europe, Southeast Asia, and West Africa, into Indonesia, Thailand, Malaysia, Europe, Japan, and the United States, including prostitution and slavery on a scale greater than any previously in human history—an estimated 27 million people living in slavery. [
- *Labor exploitation bordering on slavery*, with human rights abuses, inadequate pay, and working conditions that mirror those in the worst prisons, as demonstrated in a recently completed criminal case in the U.S. commonwealth territory in the Pacific known as Saipan. Details follow below.
- *Terrorism by non-state groups* involving chemical and biological weapons, heavy uses of bombs and explosives, nuclear materials, murders and kidnappings, use of commercial aircraft as weapons, and major acts of indiscriminate violence against civilian populations worldwide.
- *Illegal Drug trade* worldwide involving many nations and roughly half a trillion dollars in annual revenues.
- *Smuggling of goods* on a grand scale in violation of national and international laws; *piracy* rampant and flourishing in East African and Southeast Asian seas.
- *Theft of goods and patented materials, and intellectual property* and processes costing legitimate industries tens of billions of dollars annually.
- *White collar crimes of massive theft*, illegal stock manipulations, accounting frauds, money laundering (Kupchinsky, 2005) market manipulations by major TNCs, collusion in price-fixing, and misrepresentation of finances on a scale that leaves major global corporations suddenly bankrupt, their debts and obligations shifting to national agencies, and investors losing billions of dollars as markets are roiled.

- *Regular violations of global securities markets rules* by major U.S. securities companies and banks, with fines totaling some \$4 billion annually.
- *Environments around the world suffering from illegal toxic spills*, toxic emissions, waste dumping, over-grazing, illegal logging, traffic in endangered species, resource extractions, water pollution, and violations of international fishing treaties.
- *Wars conducted with gross violations of human rights*, and prisoners treated inhumanely outside Geneva Convention guarantees.
- *International and regional gangs* extorting, stealing, killing, and selling everything from drugs and sex services to stolen credit cards and illegal long distance phone services.
- *Illegal weapons trade*. In 2006 the United Nations proved unable to develop an agreement on how to fight the illegal weapons trade. Focusing on trade in small weapons, which amount to approximately \$4 billion annually of which it is estimated that \$1 billion are illegal, the conference found no way to attempt regulation of such trade. It is estimated that such weapons cause 60 to 90 percent of all casualties annually in conflicts (Newsmax.com 2006).
- *Counterfeiting of pharmaceuticals and currencies*. In an article in *Business Week* in 2001, writers Capell and Timmons made the startling statement that "the World Health Organization thinks 8% of the bulk drugs imported into the U.S. are counterfeit, unapproved, or substandard." In the Philippines, 8 percent of prescription drugs are counterfeit. In Cambodia, 60 percent of 133 drug vendors were found to be selling anti-malaria medications lacking the active ingredient. Of the anti-malarial artesunate in Southeast Asia, 38 percent has been documented to be counterfeit (Capell and Timmons, 2001). These statistics are just a minute representation of the extent of the drug-counterfeiting problem worldwide. Simultaneously currency counterfeiting of some \$45 million a year has been traced by US authorities through the Chinese Triad criminal syndicates back to the government of North Korea, which stands accused of counterfeiting \$100 US bills and circulating them. Naturally the U.S. and other nations need to assure the authenticity of their currencies to smooth the flow of global trade (Perl and Nanto, 2006).

The list of crimes could extend much further, despite governments and international organizations such as Interpol working to stop or at least limit the advance of crime.

Rather than attempt a comprehensive list of the forms and impact of global crimes here, we instead will review several examples that frame how crime has become integrated into the fabric of globalization, and how attempts to combat it struggle to keep it in check.

### **Crime in a Failed State**

No one was surprised early in 2006 when a militia of poor people attacked and seized some 20 percent of the oil production and refining facilities in the delta of the Niger River. Nigeria in West Africa has some 129,000,000 inhabitants whose poverty (\$320 GNP per capita) has led much of its population to desperate behavior. Endowed with large oil and gas deposits and substantial wealth from its global oil sales, Nigeria recently paid off \$12 billion in debt to the IMF as part of a debt reduction program that otherwise would have required that it pay \$30 billion. This shining example would normally signal a developing country achieving notable success, but it is belied by Nigeria's other ongoing criminal disasters.

Democracy in Nigeria offers the dismal picture of what can happen when corruption overwhelms government, order fails, criminality runs rampant, and the failure of the rule of law leads to chaos. In Nigeria *kleptocrat* government leaders steal so much of the income from oil (Nigeria produces up to 2.5 mbd of oil, making it the country's main industry) that the general population is left with crime as a principal option for survival. In Nigeria organized bandits tap into pipelines of oil and refined gasoline, and steal some 400,000 barrels a day of the commodities—peddling them into the black market in Africa (Associated Press, 2008). In Lagos roaming gangs kidnap and assault others with impunity. (In this bizarre climate, kidnapping for ransom is a regularized small-scale business, promoted in part because of relatively small amount of capital required to start and the relatively low probability of police curtailment.) The armed militia of the poor mentioned above has seized and held oil production facilities (and their employees) for long months, trying to force the government to redistribute oil income to alleviate dire poverty. The resulting decline of over 500,000 bpd in foreign oil sales has contributed in part to the global price of oil doubling in less than two years. Nigeria offers the tragic example of what happens when crime goes unpunished and citizens have little hope for security or justice (Senan and Polgreen, 2006). The issue of the role of failed states in contemporary globalization is discussed at greater length in our concluding chapter.

In its breadth and variety, global crime in many ways mirrors the entrepreneurial inventiveness and organizational networks of legal global commerce. As businesses have expanded to enter global markets, crime has followed and flourished. Early as 1991, for example, when the Bank of Credit and Commerce International (BCCI) international banking scandal broke, it revealed the bank's involvement in everything from illegal arms sales to money laundering to an international pyramid "Ponzi scheme" operating in the outward form of a bank. BCCI demonstrated how easily crime in the guise of normal business could go global and how many other entities (including the CIA of the U.S. government) could use the bank for their own illegal purposes (BCCI Affair, 1992).

### **Human Trafficking and Labor Smuggling**

The plight of so many poor people around the globe seeking work and survival provides those who would exploit them ample opportunity to smuggle them and in fact enslave them for profit. Consider the case of Daewoosa in American

Samoa, where a factory owner imported hundreds of Chinese and Vietnamese women workers with false promises of good wages and working conditions, then confined them, refused to pay them, and abused them. When this exploitation was ended after four years, U.S. prosecutor, Robert Moosey, described what the factory owners had done to these workers:

They controlled who worked, when and where they worked, when and where they slept, if and when they would get fed and paid, he said. They seized the workers' passports so they couldn't flee and threatened them with deportation and beatings if they complained or failed to obey (Barayuga, 2003).

Workers faced temperatures of 34 degrees Celsius in the factory, were held prisoner, and were forced to sleep two to a bed. In April 2002, a civil court in American Samoa fined Daewoosa \$3.5 million, and found that the owner and Tourism Company 12 owed an average \$13,000 in back wages to each of 270 workers. The owner was convicted in federal court in Honolulu of holding the workers in involuntary servitude, fined \$1.8 million, and sentenced to 40 years in prison (Barayuga, 2003).

Law enforcement is less rigorous in many developing countries, where slavery or forced labor in hundreds of factories and agricultural enterprises continues without government intervention. According to the U.S. Department of State Country Reports on Human Rights, enforcement of laws protecting children, women, migrants, factory workers, and others seeking work is often non-existent in some parts of China, India, Mexico, and other developing countries; conflict between worker's advocates and authorities has led to workers' imprisonment and other forms of human rights violations and silencing (U.S. Department of State Country Reports on Human Rights, 2003).

Each year kidnapers, con men, slave traders, and brothel-keepers manage to put approximately 900,000 more women and children to work in the sex trade, on farms, or as day laborers and housekeepers. The trafficking trade is said to rank second highest in dollar income after drug smuggling. Most of those trafficked are poor women, girls, and children. Sometimes they are responding to the lure of higher pay and phony advertising promising jobs that do not exist. Sometimes families sell their children into slavery or smugglers take them to foreign countries where their travel documents are taken away from them and they are forced into work. Women are often kidnapped, held against their will, sold, resold, beaten, and forced into the sex trade. The entire human trafficking phenomenon is lucrative, with women and children selling for as little as \$500 to \$1000, after which they are forced to work long hours seven days a week to pay off the cost of their travel, and are kept enslaved until they no longer return a profit for those exploiting them. Large profits allow those in trafficking to foster corruption by bribing immigration officials and police (Berry, 2002).

According to Victor Malarek in *The Natashas: The New Global Sex Trade*, Eastern Europe accounts for 25 percent of the trafficking, with Russian, Ukrainian, Polish, Israeli, Czech, Georgian, Hungarian, Romanian, Bulgarian, Serbian and Albanian gangs collaborating to create an international flow of captive people (Malarek, 2006). Amnesty International estimates that despite its geographic isolation and immigration strictures, the United States has substantial numbers of women and children trafficked into it annually.

According to the 2001 *Trafficking in Persons Report*, there were between 45,000 and 50,000 persons trafficked into the United States in 2000 (reported estimates are for the previous year's activity). The 2002 report stated that 50,000 females were trafficked into the United States for sexual exploitation. This was the first year that the estimate clearly indicated that it did not include labor trafficking or adult males. In earlier reports, no distinction was made between those trafficked for sex or labor or whether these persons were men or women. In 2003, the *Trafficking in Persons Report* estimate of persons trafficked into the United States significantly dropped to between 18,000 and 20,000. The number dropped again in 2004 when the *Trafficking in Persons Report* estimated that between 14,500 and 17,500 persons were trafficked into the country. Estimates were not updated in the 2005 or 2006 *Trafficking in Persons Report* (Clawson, et al., 2006).

### **Official Responses to Trafficking**

Because employers do not volunteer the countries of origin for their workers, the number of illegal workers moving within countries or crossing borders remains a matter of arrests, deportations recorded by officials, and guesswork. Labor moved within a country faces difficulty in finding work, housing, health care, and other necessities. Labor crossing borders also presents many other problems. According to the U.N. 2000 Protocol Against Smuggling of Migrants by Land, Sea and Air, which supplements the U.N. Convention Against Transnational Organized Crime (Johns Hopkins University), countries dealing with undocumented aliens must distinguish if an alien has chosen to enter the country or has instead been forced into entry against his/her will (i.e., trafficked). Nations see illegal entry into a country as a crime against the state, but someone forced to enter—trafficked—is the victim of a crime against the individual, needing the protection of the state. A basic difficulty lies in determining if the alien has consented to be smuggled, and therefore is a criminal, or has been trafficked, which is defined as *without consent and subject to the threat or use of force, or fraud and deception*.

With the volume of trafficking at a stunning 800,000 to 900,000 persons annually, countries have joined forces to combat it, their efforts thus far yielding mixed results. While many undocumented foreign workers in the US (particularly those from Mexico) enter, work, leave, and sometimes return, others take up residence, and pay taxes and Social Security, remaining ineligible for the latter. The United

States estimates its illegal immigrant work force at somewhere around 12 million—5 percent of the total U.S. work force; many of them have become an essential part of the construction, fire fighting, and agricultural industries (NPR, May 26, 2006). New immigration policies, however, have set off disagreements with bordering Mexico. Over the last decade some twenty thousand undocumented Chinese have been smuggled into New York City, where the Chinese community harbors them and helps them into jobs and possible citizenship. Estimating the numbers of possible illegal migrations throughout the world remains a complex task (Ohlemacher, 2008).

One reliable source estimates that the number of persons living outside the country of their birth is between 150 and 200 million, of which 15-20 percent are “probably” undocumented, which would mean globally somewhere between 30 and 40 million undocumented persons who have become the subject of the “illegal migration” debate (Francis, 2005). As argued in our chapter on Urbanization and Migration, an increasing number of countries have become dependent on remittances transmitted by migrants to sustain segments of their growing populations, a force that drives continued migration, documented and otherwise.

The countries of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Greece, Hungary, Moldova, Romania, Slovenia, Turkey as a group face major problems with trans-border crimes such as smuggling and human trafficking. Consequently, they have formed the Southeast European Cooperative Initiative (SECI) Center, a regional law enforcement organization with 12 member nations working to address a variety of criminal problems. On a global scale, the U.N. Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children, mandates that states protect victims of trafficking by considering granting them temporary or permanent status. National police forces and Interpol join in the efforts to stem the tide of human trafficking and the corruption that accompanies it, but results thus far are not promising (Moknik, 2008).

## **A European Response to Environmental Crimes**

Throughout the globe corporations have recorded a tragic record of spilling and depositing the wastes from their industrial production into nearby environments, daring authorities to catch them, and occasionally paying fines. Economists characterize this terrible pattern of dumping toxins as simply *externalities*, meaning that the producer of the waste refuses to deal with it accountably and covertly releases some or all it somewhere outside the factory—*externally*. Petroleum production, mining, and chemical factories have been particularly offensive as polluters, and coal burning electrical producers, pharmaceutical makers, and electronics manufacturers have achieved similarly negative reputations for careless polluting of ground, air, water, plant life, animal life, employees, and citizens, some of the latter thousands of miles distant from the

origin of the waste. From the epic meltdown of the atomic reactor at Chernobyl in Ukraine to acid rain from coal-burning electrical plants, to the massive releases of feces from huge hog farms causing huge fish kills in the streams and shoreline waters of the United States, the costs of externalities to human health, the environment, biodiversity, fresh water sources, health care providers, and governments have proven staggering. In the United States organized crime groups have taken up the dumping of toxic wastes for corporations, which refuse to deal with wastes accountably. In southern Italy the Naples-based mafia organization known as the *Commora* controls garbage disposal and smuggling into the EU. This crime syndicate has reportedly killed some 4,000 people in the last thirty years. In Italy overall, some 7 percent of GDP is produced by organized crime (Powerblog, 2008). While governments globally struggle to regulate such wastes effectively, and criminalize the unlicensed dumping of toxic wastes, they are reluctant to fine or mete out prison sentences for the criminal behavior of large corporations and their leaders. Meanwhile the damage mounts.

### **Chemical Crimes**

The international Protocol on Climate Change, otherwise known as the Kyoto Agreement, reflects the global effort of nations to agree on limiting a crime in the aggregate that poses threats to all life on a global scale—the growing threat from greenhouse gas emissions raising global warming. More follows about these crimes in the later chapter on the global environment.

Beyond the wastes that global corporations externalize, however, lie the threats embedded in products and services that they offer. People with a sensitivity to chemicals, some of which have devastating, even life-threatening effects on the consumers who buy them (or others who encounter them), have little defense against the pervasive distribution of chemicals into their bodies and the environments they inhabit. Consequently, the European Union has created an innovative crime-prevention system to protect all of the inhabitants of the EU from harmful chemicals. The strategy is simple and clear-cut: chemical manufacturers must prove that the chemicals they produce and sell are harmless to humans. Despite the insistence of chemical manufacturers in the U.S., the U.S. State Department, and other global interests selling chemicals (all of whom demand that the E.U. remain open to trade in chemicals according to the World Trade Organization agreements), the E.U. refuses to allow chemicals to be sold unless they are proven harmless.

The Registration, Evaluation and Authorisation of Chemicals (REACH) legislation, created in 2003, requires “better and earlier identification of the properties of chemical substances . . . The REACH proposal gives greater responsibility to industry to manage the risks from chemicals and to provide safety information on the substances” (European Commission, 2006). REACH offers a database where chemical users can find in-depth evaluations of

chemicals that pose hazards. The regimen will require long years to establish its effectiveness via improved health of EU citizens.

### **Intellectual Property Theft**

Some manufacturers that outsource work to China, India, and countries with less expensive labor call it the Third Shift pattern. It costs owners of intellectual property tens of billions of dollars annually, and it often works in this way. When a firm in the United States or the EU, for example, develops a patented or copyrighted design or product, then hires a factory in a developing country to produce it, the factory has temporary control of the intellectual property, be it a motion picture, a computer chip, or a dress design. The factory trains workers to handle the production, and calibrates its machinery to produce the design. Along with the design, the developing world factory has access to molds, specifications, and required secret information from the western company offering the production contract. After the first two shifts of workers meet the contract production quota, the factory has a third shift secretly continue production, then sells this share of production into the market with different labels or with slight alterations in the product. It may also use packaging similar to or indistinguishable from that of the original product (Parloff, 2006).

Further forms of illegal copying involve digital forms of theft yielding everything from complete computer operating systems and software packages, to pirated copies of the latest popular films, music CDs, and even golf clubs based on digital designs. Perhaps most problematic, however, is the highly profitable trade in counterfeit pharmaceutical drugs which, in the absence of needed ingredients, sometimes leave their users tragically crippled or dead. Pharmaceutical companies have changed packaging, added chips to make individual packages traceable by radio, and pushed agencies such as the World Health Organization and the U.S. Food and Drug Administration (FDA) to crack down on the multi-billion dollar global shadow market. Estimates range around \$48 billion in annual global copyright losses (Broache, 2008) and they are on the rise.

With the Third Shift form of counterfeiting, the authorized contractor/factory or its marketing agents then become unauthorized competition. Copying or slightly altering intellectual property and the products based on it have become extraordinarily common, and have left major western brands of goods with significant losses. In response a worldwide corporation called PICA, formed in 1982, now serves many Fortune 500 firms and other global corporations. PICA conducts audits of factory production, investigates thefts and illegal sales, and otherwise protects intellectual property. PICA and similar private policing firms have expanded apace with the growth of the outsourcing of manufacturing.

In summary, the current pattern of policing intellectual property has its roots in a combination of influences: 1) the huge expansion of copyrighted and patented materials generated by rapid globalization. Even a single computer operation is

now capable of being patented. Combine this phenomenon with inexpensive and accessible reproduction technologies -- including digitized information, computers, and the Internet—that make pirating easy and very profitable. Many technologies require the use of multiple patents, amplifying the perceived need to counterfeit multiple patents; 2) a 1984 U.S. law amending trademark-protection creates criminal penalties for counterfeiters of up to 5 years in prison and a \$250,000 fine. Clearly some governments have made the prevention and prosecution of intellectual property piracy a priority, but struggle to enforce laws effectively in a world that rewards ignoring the law; and 3) the advent of the private industry alliances such as the International Intellectual Property Alliance (IIPA) and private security firms such as the global PICA Corporation, all seeking new forms of security for intellectual property.

Theft of intellectual property presents copyright and patent holders with an expensive ongoing struggle, and many major commercial brands—producers and retailers—prefer that the problem remain in low profile. With similarly appearing goods in similar packaging invading the market, they fear that consumers may doubt the authenticity of their own legitimate products, costing them market share and leading to product liability lawsuits when the counterfeit products fail. Hence, while they push the foreign policy arms of their own governments to have those of developing countries put a stop to Third Shift and other forms of product piracy, global corporations also quietly continue to fight the sale of knockoffs and counterfeits everywhere. Because counterfeits have claimed a regular share of many markets in this relentless battle, the cost of fighting intellectual property piracy has become part of the cost of global goods and services, a cost we consumers pay (Parloff, 2006; and International Intellectual Property Alliance [IIPA] 2006).

### **Global Illegal Drug Trade**

In mid September of 2008 the U.S. Coast Guard off Guatemala seized a semi-submersible ship carrying seven tons of Latin American cocaine worth \$8.4 million. In 2007 the Coast Guard reported seizing a record total of 355,000 pounds of cocaine worth \$4.7 billion in street value (CNN, 2008). Drug smugglers recognize that such seizures are simply part of the losses they must price into their shipments and product distribution.

The illegal narcotics trade has for the last generation become intertwined in the geopolitics of major nations. Because the use of illegal drugs such as heroin, cocaine, and crystal methamphetamine (often called ICE) so often link to crime and serious health problems in western nations, efforts to interrupt the flow and sale of such drugs have become a costly, permanent feature of globalization. The U.S. alone spends some \$19 billion annually on its *War on Drugs*, with the states spending another \$20 billion annually on police, criminal courts, incarceration, parole, rehabilitation, health care, and other drug-related costs. Thefts, violence toward victims, accidents, lost time at work, childhood

deformities and brain impairment, special education needs, insurance, and massive military costs must be added to the total cost, making a true total of the War on Drugs difficult to assess (Drug Policy Alliance, 2006).

U.S. military attempts at drug interdiction have involved sending troops and military advisers to Latin American countries such as Colombia and Bolivia to assist in cutting coca production and suppressing the drug trade. But by far the largest, yet least effective, attempt at global drug interdiction occurred with the U.S. invasion and occupation of Afghanistan in 2001. With the United States and NATO troops continuing to occupy Afghanistan and with the new Afghani government attempting to suppress opium poppy production:

Afghan opium poppy production is back to the levels that existed before the overthrow of the Taliban in 2001. According to UN drugs watchdogs, Afghan farmers grew more than 4,100 tons in 2005 and millions of addicts worldwide are hooked on the heroin they produced. . . Afghanistan remains far and away the world's largest supplier of opium, which the UN estimates is responsible for 100,000 annual deaths around the world. The cost of the crime associated with the trade is incalculable (Johnston, 2006).

According to the 2007 World Drug Report by the U.N. Office on Drugs and Crime, Afghanistan's opium production increased by a staggering 50 percent (Associated Press, 2007). Crime and geopolitics can create confusing arrangements. Afghanistan's opium poppy trade has supplied funding for terrorism, yet in the ongoing war in Afghanistan the U.S. has enlisted the support of warlords controlling opium poppy growth. Despite its costly *War on Drugs*, the U.S. in the 1980's had its Central Intelligence Agency (CIA) foster the growth of opium poppies by Afghani mujahedeen rebels while Russia was fighting these insurgents. The rebels relied on the drug income to fight the Russians, along with weapons supplied by the CIA. That opium output supplied over half of the heroin used in the United States at the time, leaving U.S. foreign policy contradicting itself: a costly war on drugs in Latin America versus helping Afghan rebels grow drugs that would be sold into the U.S. (Nim, 2006). Following a similarly paradoxical pattern, the U.S. presently fears that abolishing opium growing in Afghanistan and Pakistan might threaten the rule of the friendly governments of these countries, creating a greater harbor for terrorists. On the other hand, it is believed that some profits from present Afghani and Pakistani drug trade continue to fund terrorist efforts globally, creating another contradiction that U.S. foreign policy has yet to resolve (Nim, 2006). Afghanistan presently produces about three-quarters of the opium used globally, and there are 1.7 million Afghans—7 percent of the work force—involved in its production, with opium sales supplying a major part of Afghanistan's rural income.

Although avowing a policy of stamping opium out, U.S./British forces and the Karzai government in Afghanistan have done little to oppose it, as the recent

huge crop shows (Nim, 2006). As expected, corruption of public officials and the catalogue of woes experienced by narcotics users add to the cost of the global commerce in illegal narcotics.

From money laundering, which costs governments billions in taxes, to drug trafficking, human trafficking, or stealing from and extorting money from businesses, global organized crime corrupts politicians, murders business officials, and in some countries such as Colombia, Nigeria, Mexico, and Russia has threatened to control the political process. As a consequence, in the post-Cold War era, it has threatened the security necessary for global commerce to continue peaceably and legally. In the words of the former Director of the CIA James Woolsey, “the tools of diplomacy are ineffective and irrelevant in dealing directly with these criminal groups . . . there is no negotiating table where we can try to work out a compromise or reach a consensus with criminals” (Stephens, 1996). Like the transnational corporations they resemble in structure, production, and distribution, transnational criminal organizations have grown to the point where a United Nations Convention on Transnational Organized Crime now meets to find ways to oppose the Russian Mafiya, the Chinese Triads, the Japanese Yakuza, the Italian Mafia family, and a number of global drug cartels (Cusimano, 2003).

### **Globalization Patterns in Crime**

The local, national, and international distribution of transnational crime outposts and processes in multiple countries adds substantially to the difficulty of national governments trying to coordinate multi-agency efforts to curtail crime. Add to the picture transnational crime employing sophisticated forms of transportation, attorneys, accountants, counterfeit documents, and networking Internet services. While reliable data on the extent of such crime remain difficult to establish, as observer Maryann Cusimano puts it, “Global illicit trade has assumed massive proportions” (Cusimano, 2003). This observation is reached upon the eve of what might be viewed as whole new eras of computer generated crime, which has grown in direct proportion to the sophistication of the computers and Internet that enable it.

On the other hand, as the 2008 meltdown of U.S. finances set off by defaulting mortgage backed securities demonstrated, global finances are tightly interwoven, and this interdependency has serious negative consequences for global commerce, consequences in proportions not envisioned when the free movement international capital began evolving. Stock markets around the world have been badly shaken by the sudden collapse of major U.S. banking and financial firms, leaving governments in uncharted territory. Massive financial market failures and so-called white collar crime threaten to have a greater impact on the global economy than the aggregate of more traditional forms of crime discussed throughout much of this chapter. How effectively national and global governance institutions are able to address and combat huge market failures and

any revelations of criminal behavior triggering them remains an open question, one badly in need of answers to restore confidence in global markets.

**For Further Study:**

NationMaster maintains a website that provides data for many aspects of globalization, including global crime. Its figures for global crime may be accessed at: <http://www.nationmaster.com/article/Crime-Rates-Around-the-World>.

The U.S. Department of Justice through its Bureau of Justice Statistics also maintains statistics of various dimensions of global crime. It is available at: <http://www.ojp.usdoj.gov/bjs/ljs.htm>.

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