

STRENGTHENING RULE-OF-LAW APPROACHES TO ADDRESS ORGANIZED CRIME:  
**Criminal Market Convergence**

As part of a project to strengthen rule-of-law approaches to address organized crime, the United States Agency for International Development (USAID) and Management Systems International (MSI) are hosting a series of roundtable discussions. The fourth roundtable, convened in partnership with the Global Initiative Against Transnational Organized Crime, the University of Cape Town, and the Institute for Security Studies, examined criminal market convergence and its relevance for programmatic responses. Held in Cape Town in November 2019, the roundtable brought together approximately 65 participants from USAID, the United States Government Interagency, the South African government, South African and international law enforcement, research organizations, nongovernmental organizations, and donors. This white paper captures key points from the discussion.

**Introduction**

In many parts of the world, multiple criminal markets operate in the same space, undermining good governance and regional peace and security. To varying degrees, criminal markets overlap or reinforce each other—for example, human trafficking supporting the illicit minerals trade, drugs exchanged for wildlife commodities, or illicit firearms bolstering gang control over drug turf. Systems of transporting commodities and laundering criminal profits are also common across multiple criminal markets.

Often, responses to organized crime do not examine these linkages. Many law enforcement officials, civil society activists, and researchers specialize in single criminal markets without a wider focus on market intersections. Yet in some cases, a convergence lens may improve responses to organized crime by clarifying the reach of corrupt arrangements across markets, locales, and parts of the government; identifying key nodes and points of vulnerability in poly-criminal networks; applying the commitment and tools used to address one market to address other markets; and galvanizing political will across a range of stakeholders.

**Types of Criminal Market Convergence**



Criminal markets may converge to varying degrees. The most complete form of convergence occurs when an organized crime group operates across *multiple illicit business lines* (Figure 1). Crime groups may engage in more than one criminal activity to increase profits; diversify risks;

reduce operational costs; respond to shifts in supply, demand, or law enforcement; and increase revenues. As drug trafficking in Mexico has drawn greater attention, for example, drug cartels have expanded into human trafficking to take advantage of weaker law enforcement efforts in that market (Deville 2013, 70).

To expand into other lines of activity, crime groups may take advantage of their cash, weapons, contacts, established transportation routes, and corrupt relationships with state officials. For example, the Brazilian gang Primeiro Comando da Capital (First Command of the Capital) engages primarily in cocaine trafficking but is using its established routes and connections to expand into illegal mining and weapons trafficking to diversify and increase its revenue stream (Farah and Babineau 2019). This kind of expansion may be opportunistic and sporadic or more enduring.

Poly-criminality is not uncommon. Europol estimates that 45 percent of organized crime groups operating in Europe are involved in more than one criminal activity (Europol 2017, 15). The same report estimates that 65 percent of organized crime groups involved in drug trafficking are simultaneously involved in other criminal activities such as the trade in counterfeit goods, trafficking in persons, and migrant smuggling (Europol 2017, 34). Other research points to organized crime groups that traffic in persons and are also involved in drug trafficking, illegal fishing, environmental crimes, arms trafficking, maritime piracy, or tobacco smuggling (OECD 2016, 32). A particularly common convergence may arise between trafficking in persons and drugs because drug dependencies create victims, who are easier to recruit and retain (OECD 2016, 32), and because drugs are easily concealed in people's bodies or luggage.

In contrast to poly-criminality, *transactional convergence* occurs when organized crime groups purchase goods or services from each other (Figure 2). This convergence is more likely to occur where the groups operate in different criminal markets and are not in direct competition with each other. Crime groups operating in various markets, for example, may engage with arms traffickers to purchase weapons. Similarly, organized crime groups may use human trafficking victims to support their activities—for example, child labor used in illicit mining or gang activity. Crime groups may also have specialized in-house services—such as document forgery, encrypted communications systems, money laundering, extortion operations, or hitmen—that they are willing to sell to other crime groups.



Another kind of convergence occurs when organized crime groups purchase *similar services from a common provider* (Figure 3). Criminal markets may converge in this way in banking, accounting, legal counsel, forgery, front companies, shipping companies, ports, border crossings, airports, or corruption (see textbox on Panama Papers). In some cases, facilitators bundle these services and help crime groups navigate specific links in illicit commodity chains. In Liberia under Charles Taylor, for example, a handful of facilitators helped move illicit timber and diamonds out of the country and weapons into the country by making the logistical arrangements and providing the necessary paperwork, which included “front companies to handle freight loading and delivery; offshore bank accounts to make the money untraceable; falsified flight routes to justify the time in the air; and air operations certificates to show



that aircraft are certified airworthy” (Farah 2013, 79). At the same time, these facilitators were providing similar services to other criminal networks in Africa and elsewhere.

***The Geography of Convergence***

**Common Provider of Criminal Services: The Panama Papers**

The Panama Papers consist of 11.5 million files leaked from Panamanian law firm Mossack Fonseca in 2016. The files include emails, financial spreadsheets, passports, and corporate records revealing the secret owners of 214,488 offshore entities connected to more than 200 countries. A whistleblower leaked the documents to the German newspaper *Süddeutsche Zeitung*, which shared them with the International Consortium of Investigative Journalists. A team of more than 370 journalists from 76 countries, including the USAID-funded Organized Crime and Corruption Reporting Project, has reported on the documents.

One of the world’s top creators of shell companies, the law firm helped clients hide their wealth, avoid taxes, and launder money. In addition to high-profile politicians and wealthy clients, hundreds of organized crime actors used the law firm to facilitate their criminal activities. Europol, the European Union’s law enforcement agency, prepared a memo for a European parliamentary committee comparing names in the Panama Papers with those from its own databases of suspected criminals and identified 3,469 probable matches: 516 of the matches were connected to eastern European organized crime groups, 260 to cigarette smuggling, and 99 to drug crime (Pegg 2016). The leak has led to protests, resignations, investigations, and legislative reforms around the world.

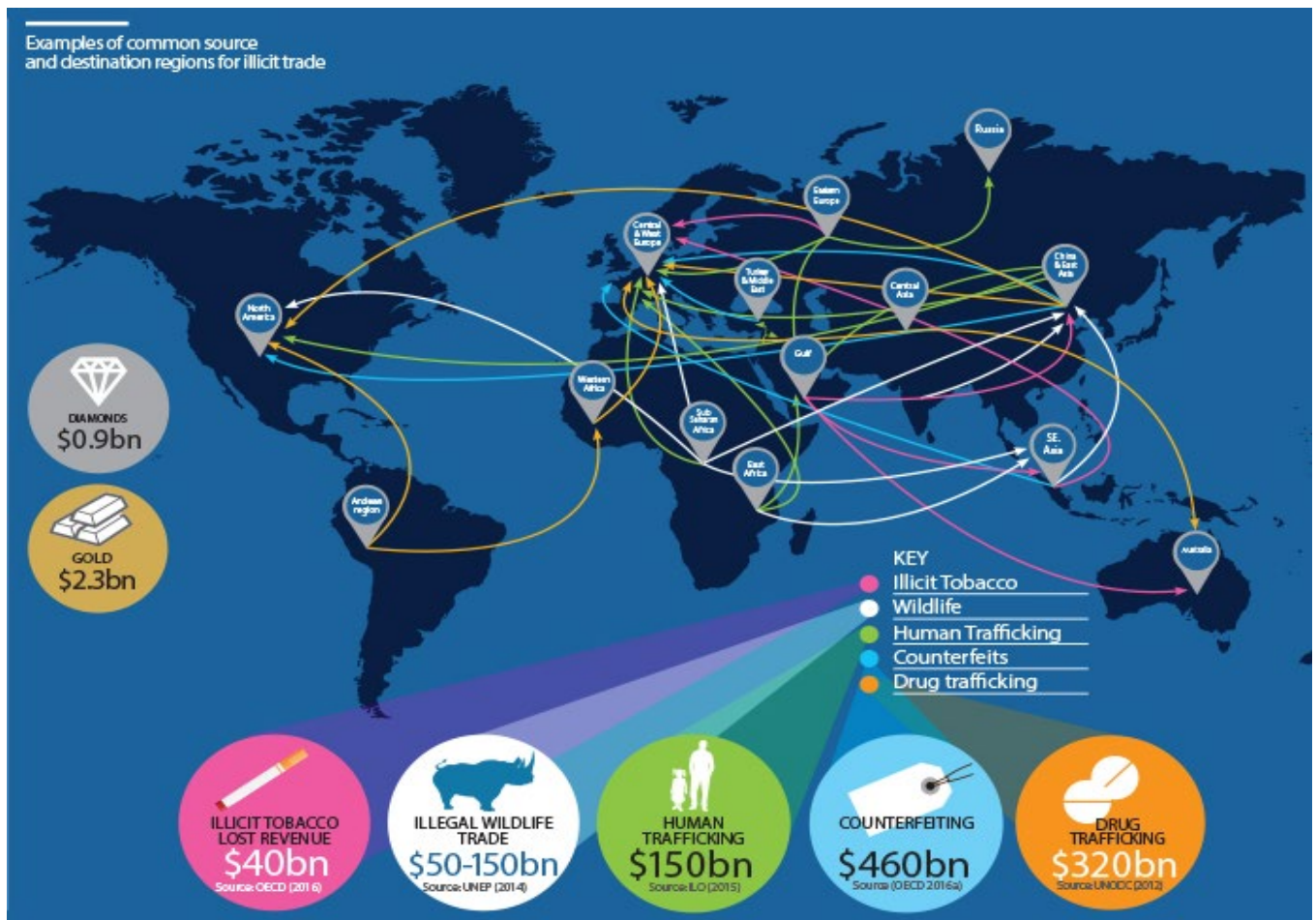
In all three kinds of convergence, geographical space often plays an important role in linking criminal markets. Organized crime groups may take advantage of the same transportation routes and corrupt relationships along those routes to move multiple products in the same or different directions. In Mozambique, for example, crime groups have concealed rubies and ivory in containers of illicit timber (Haysom 2018). In Mexico, cartels have used the same drivers and trucks to move drugs from Mexico into the United States and then arms into Mexico on the return trip (U.S. Government Accountability Office 2016). Corrupt relationships often facilitate the movement of illicit products within a country or across borders. Organized crime groups refer to “owning the road” on a trade route, which allows illegal commodities to move unimpeded under the protection of corrupt officials.

Some geographic locales are especially conducive to criminal market operations. These locales are often situated in states that are beset by institutional weakness, which enables crime groups to corrupt or evade government officials, but also have good transportation infrastructure and services and sufficiently large licit economies to conceal illicit activity (Europol 2017). In fact, many of the major hubs in the illicit global economy are also hubs of the licit economy—for example, Bangkok and Dubai (Keefe 2013). In Africa, organized criminality is concentrated in the region’s largest economies: Kenya, Nigeria, and South Africa, which also feature the most developed transportation hubs (ENACT 2019). Other hubs of illicit activity develop in areas of contested sovereignty, such as the Republic of Moldova’s Transnistria; in border areas, such as the Somali-Ethiopian-Kenyan border area or the Argentine-

Brazilian-Paraguayan border area (Keefe 2013); or in alternatively governed areas, such as parts of the Sahel or eastern Democratic Republic of Congo. The concentration of criminality in such locations can have a particularly corrosive effect on communities, where locals are often recruited or coerced into low-level criminal activity.

Given the importance of geography to convergence, looking at the trade routes for illicit goods can be instructive. Trade routes are usually tied to specific areas of origin and destination, and multiple illicit commodities moving over similar routes may provide opportunities for convergence as well as strategic points of entry to address organized crime. As depicted in Figure 4, the multiple illicit commodities flowing from East Asia to Europe, including human trafficking, counterfeiting, and drug trafficking, may provide such opportunities for convergence. A closer examination of flows within a smaller geographic area may provide more detailed information on potential points of convergence.

Figure 4



### Convergence between Licit and Illicit Markets

Criminal markets may also converge with licit markets to varying extents. Criminal groups may launder their illicit profits through licit businesses or hide illicit commodities in licit cargo. A criminal group may

own the licit businesses or enlist business owners or employees to work with them. Casinos, hotels, construction projects, or other businesses that facilitate the fabrication of profit are especially attractive for laundering money, and businesses that import or export goods are especially attractive for smuggling. In Mozambique, for example, U.S.-designated drug kingpin Mohamed Bashir Suleiman has used his conglomerate Grupo MBS and the upscale Maputo shopping center to allegedly launder money and conceal drugs in containers (Haysom, Gastrow, and Shaw 2018).

Similarly, in southeast Asia, two Vietnamese brothers, Bach Mai Limh and Bach Van Limh, have reportedly trafficked in wildlife and drugs but also run legitimate businesses in wholesale agriculture and forest products, construction materials, electrical equipment, hotels, and food services (Felbab-Brown 2017). This type of convergence can have a detrimental effect on the licit economy. As noted in a recent ENACT publication, “money laundered into businesses distorts the market for other entrepreneurs who find it hard to compete with businesses that have slush funds and do not need to turn a profit” (Haysom, Gastrow, and Shaw 2018).

Where laws allow regulated trade in a product, moreover, organized crime groups may operate licit and illicit businesses in the same product line. Where regulations allow sales of a commodity under certain circumstances, such as animals through a captive-breeding facility or minerals, timber, or firearms through permitting or certifications, crime groups may strive to launder their illicit commodities through the legal supply chain.

Crime groups may also use a range of licit businesses that wittingly or unwittingly support their activities. They may transport their goods through commercial carriers, move their money through banks, or engage accountants and lawyers to help manage their operations. One roundtable participant noted that in South Africa, globally renowned audit firms, law firms, and banks have facilitated large-scale corruption and money laundering, but when brought to light, the companies have blamed “rogue elements” in their ranks and insisted that investigations remain an oversight matter within their industry rather than a criminal matter with the state.

The convergence is often enabled by government authorities who benefit from the arrangement. Illustratively, the convergence of licit and illicit business in Mozambique is made possible by a weak rule of law, a situation maintained by the political elite. According to one roundtable participant, “Impunity is one of Mozambique’s key characteristics....The incentive structure of the ruling elite is not only to let things go but also to benefit.”

### ***Responses***

A convergence lens may improve policy and programmatic responses to organized crime. It may help clarify the reach of corrupt arrangements across markets, locales, and parts of the government. Understanding the contours of the illicit political economy is crucial for interrupting the relationships between criminal actors and their protectors and strengthening points of weakness in the accountability system. Moreover, sharing information among law enforcement, financial intelligence units, civil society, and the private sector to identify criminal actors and behaviors across criminal markets may reduce the number of individuals who fall through the cracks and reveal those who operate in multiple markets. At the same time, a more comprehensive look at criminal actors may provide an opportunity for various law enforcement and regulatory authorities to work together and draw on their combined

resources, expertise, and powers under their respective legislation to investigate and support prosecution.

A convergence lens may also help identify key nodes in criminal networks that represent points of vulnerability. Targeting nodes in criminal networks may disrupt multiple criminal activities simultaneously, making networks less efficient, disrupting trusted relationships, and raising the cost of doing business. As demonstrated by the high-profile prosecution of Viktor Bout and Monzer al-Kassar, two of the world's most powerful arms brokers in recent decades, replacing key services outside a network may be possible but costly both financially and in time, and "in neither case has capacity emerged to offer anything like the full range of services these two super facilitators did" (Farah 2013).

Where convergence takes the form of poly-criminality, law enforcement and financial intelligence units may be able to exploit a crime group's vulnerabilities in one of its markets. As explained by Keatinge, "the financial modus [sic] operandi related to IWT [illicit wildlife trade] remain much more simplistic than those connected with other (perceived 'higher risk') threats such as narcotics....IWT represents a potentially soft underbelly that can be exploited by law enforcement in responding to organised crime groups involved in a range of threat activities" (Keatinge 2019). Moreover, where the tools or political will for addressing criminality differ across markets, policymakers can harness the better tools and greater commitment to address one form of criminality to facilitate progress in countering the crime group's other criminal business.

To the extent that interventions are likely to have impact across criminal markets, they may also be more effective if they are designed and implemented through a broader convergence lens. Anticorruption programming, for example, may have broader impact when galvanizing the commitment and addressing the concerns of stakeholders affected by multiple criminal markets.

The convergence of illicit and licit business underscores the importance of other types of interventions, such as raising penalties for facilitators of criminal activities (e.g., banks, accounting firms, and law firms), strengthening legislation on financial disclosure and banks' due diligence, improving linkages between banks and regulatory authorities, and improving monitoring of permitting and certification processes in regulated markets.

Despite these many advantages, a convergence lens may or may not increase the political will to counter organized crime. Although recognizing the linkages among criminal activities and their broader impact may elevate the issue, political leaders and their constituents may have more political will to address discrete issues—such as counterfeit pharmaceuticals or illicit wildlife trade—than to address organized crime in its entirety. Indeed, in some instances they may have an active interest in *not* addressing some aspects of organized crime. Countering the many facets of organized crime at once may disrupt a multiplicity of corrupt relationships, incurring greater political risk.

In addition, focusing on convergence and targeting intersection points should not take precedence over addressing the most pressing criminal issues in a country (if these diverge). For example, efforts to target the intersection of drug trafficking and trafficking in persons may focus attention on sex trafficking in a country where labor trafficking is the most pernicious form of trafficking in persons. Practitioners need to be mindful of this potential issue and not simply privilege a convergence focus.

Finally, a convergence lens may strain the capacity of judicial systems as it increases the complexity of prosecuting and adjudicating crimes. Host country criminal justice actors may lack the expertise to investigate some aspects of criminal activity, such as forensic accounting; face jurisdictional issues where multiple agencies or laws are involved; or encounter difficulties navigating extradition or other technical aspects of international crimes. Adopting a convergence lens may therefore require support for such issues.

### **Conclusion**

Criminal markets may converge when an organized crime group operates across multiple illicit business lines or purchases illicit goods or services from another crime group. Criminal markets may also converge with licit markets when an organized crime group seeks to conceal its activities through front companies or purchases audit, banking, and legal services that support its criminal activity. States with good infrastructure and markets but weaker institutions are more likely to serve as hubs of the illicit global economy.

A convergence lens may improve programmatic responses to organized crime by clarifying the reach of corrupt arrangements across markets, locales, and parts of the government to better inform interventions; identifying and helping exploit key points of vulnerability in poly-criminal networks; applying the commitment and tools used to address one criminal market to address other criminal markets; galvanizing political will across a range of stakeholders; and directing attention to interventions concerning licit business.

However, practitioners need to assess whether a convergence lens could undermine political will to counter organized crime, divert attention from more pressing crime issues, or strain the capacity of criminal justice actors and, if so, take steps to mitigate these risks.

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