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IDEAS -- VIEWPOINT

By Jeffrey E. Garten

The Pirates Of Global Trade

A new book, *Illicit*, calls for a global assault on contraband traffickers

On Aug. 22, Acting Assistant Attorney General John C. Richter announced the arrest of 59 people in 11 U.S. cities for their participation in a vast international criminal enterprise. The group, said Richter, was a one-stop shop for trafficking in counterfeit currency, fake pharmaceuticals, forged postal stamps, illegal narcotics, and weapons such as rocket launchers. The operation was one of Washington's biggest global busts in recent years, and Richter implied more were in the works.

Illegal trade is not new, of course. But it remains a tumor on the global economy that could easily metastasize into a worldwide cancer that corrodes law and order, leads to other crimes and violence, and even finances terrorism. Unfortunately, governments here and abroad increasingly are no match for today's complex and sophisticated criminal organizations.

The extent of money laundering can be seen as a rough proxy for total global contraband activity. It has grown to 10 times its 1990 level, to well over \$1 trillion today -- equivalent to about 10% of legitimate global trade. Most of this is narcotics smuggling, which comes to some \$900 billion annually. Illicit sales of weapons amounts to \$10 billion per year; toxic waste dumping across borders, \$12 billion; smuggling of aliens, including women and children destined for sexual exploitation, \$7 billion; bootlegged movies, \$3 billion; stolen art, \$3 billion. (These are all gross estimates from official sources and trade associations.)

IN A FEW WEEKS the most comprehensive and thoughtful work on this subject to date will be released: a book by Moisés Naím, editor of *Foreign Policy* magazine, titled *Illicit: How Smugglers, Traffickers, and Copycats Are Hijacking the Global Economy*. In an interview, Naím explained to me why illicit trade is out of control and the obstacles governments face in combating it. His major point is that globe-spanning criminal networks are organized in decentralized, cell-like structures that make them as hard to eliminate as al Qaeda. Moreover, they are using cutting-edge transportation technology, in addition to satellite global positioning systems, that give them the logistical flexibility of a FedEx ([FDX](#)) or Wal-Mart Stores ([WMT](#)) -- and make them increasingly difficult to track.

Among the obvious measures needed are better coordination among law-enforcement agencies and more extensive use of up-to-date surveillance technology. But more radical strategies are required. For instance, Naím is right when he says it's futile to try to shut off the supply of drugs or illegal immigrants without simultaneously either regulating or curtailing demand for them among consumers or employers. He also correctly argues that it's insufficient to have law-enforcement officials approach illicit trade in a compartmentalized way -- zeroing in, for example, on drugs or weapons, the exploitation of women and children, or money laundering. Naím advocates instead a more integrated strategy to better combat the capability of criminal gangs to act as multinational enterprises that switch back and forth from one "product" to another, depending on market opportunities.

But government and law-enforcement officials aren't the only ones who need to do more. Stephen E. Flynn, a senior fellow at the Council on Foreign Relations, believes that multinational corporations should be held accountable for ensuring that their extensive transportation systems don't become channels for smugglers. He proposes that such companies provide detailed schematics of their supply chains and X-rays of their cargo to government authorities. Companies

would have to certify that they have inspected for contraband, and governments would have the right to random audits of these claims. In return, regulators would guarantee that these same companies would not have to keep undergoing burdensome customs inspections at border crossings. Some public-private cooperation of this kind is being mounted by the U.S. Customs Service and a number of private companies to prevent the smuggling of goods attractive to terrorists, such as biochemicals. But these efforts should be expanded beyond terror protection to include a wider range of products, such as counterfeit pharmaceuticals.

There is much more to do to prevent legitimate global flows of trade and money from being corrupted. But this will require a massive effort beyond what is now taking place. There's no time to waste.

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