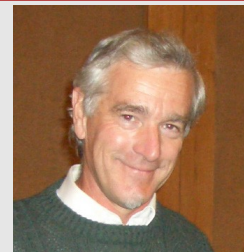


# The Economics of Transnational Crime – Targeting Crime by Finding its Profits

## We Can Help You...

- **Prioritise your Strategies against organised crime**
- **Target your anti-moneylaundering efforts**
- **Identify the economic damage caused by major crime**
- **Target and Resource the fight against transnational crime**



## Developing Strategies for Transnational Crime Prevention

Just as in local administration, where properly-directed strategies are much more likely to emerge if you can identify which problems are the costliest, so it is in international and global politics. The right strategies against transnational crime will not be found by merely acting on knee-jerk reactions, simplistic assumptions or by following a dominant viewpoint. The optimal strategies are those that are based on evidence. The optimal strategies are those that are focused on the most serious problems – the priority areas. Any other approach is wasteful of scarce crime prevention resources. Therefore we need to be able to identify the most serious problems.

Financial crimes such as money laundering are, like drugs and arms trafficking, transnational crimes – the offenders make their illicit proceeds and then move their money through the often-unwitting financial (but sometimes complicit) systems of other countries. How can those countries know that their finance systems are aiding the movement of the proceeds of crime unless they know the criminal origins of the money? There is – or ought to be – a mutual obligation between countries to collaborate to combat transnational crime. Interpol has, for many years, encouraged the international sharing of intelligence information about crime, and in more recent years international agencies have been formed to combat money laundering, and these have also encouraged information sharing between countries. There are many bi-lateral and multi-lateral agreements about sharing intelligence about crime, but what is missing is a truly analytical – or “problem-oriented” - approach.

**John Walker Crime Trends Analysis has developed a world-first methodology for identifying the extent, costs and key elements of transnational crime, based on over 25 years of experience and analysis. We can show you how to get the best from your criminal justice system.**

## “Problem-oriented” Strategies for Transnational Crime Prevention

Policing has changed dramatically in most countries in the last few decades of the 20<sup>th</sup> century, from an essentially reactive process which paid hardly any attention to crime prevention, where police responded piecemeal to every incident and focussed on the arrest of an offender, to one which employs analysis to identify patterns of crime. Having identified the patterns (including where, when, by whom and in what manner the offences are being committed), police are even better able to target likely offenders, but they can also use the analytical results to identify crime prevention strategies that will prove successful. Even better in this age of hard-nosed economics in the provision of government services, through analysis they can often prioritise and use scarce resources more efficiently and effectively.

The problem is that, while this “new policing” is producing impressive results in many countries, the smart criminals realise that the weak link in policing is the cross-border issue. For very good reasons, we do not allow other countries' police to conduct investigations in our country, except with explicit consent, and even then they cannot operate independently, make arrests or lay charges. Everyone knows that closer international co-operation between police is necessary, and there are many good examples of where offenders have been brought to justice because of instances of collaboration. But, unlike crime, which has many ways, including the internet, of transcending national boundaries, in the international context, policing is still in the nineteenth century. The arrest of a single offender or the breaking up of a single gang, as a result of international collaboration by police, is cause for rejoicing, but there is little international “problem-oriented policing”, “priority policing” or “evidence-based policing” because it is too difficult.

We can begin to understand why this is so by thinking about what made it all possible at the local and national level. The advent of computers, databases and analytical techniques, in the 1960s and 1970s, were the catalyst that was required before problem-oriented policing could even be contemplated. Information about victims, incidents or offenders could be centralised by computer systems that could turn it into intelligence and distribute it to those best able to make use of it. Now, while international computing power at the service of police is greater than ever before, and the database technology can cope with vast amounts of data at the speed of light, police are not even close to an international problem-oriented policing capability. The reason isn't technology, but the restrictions we (quite reasonably) place on them in information gathering and sharing. The consequences? Transnational crime suffers the occasional defeat, but new groups, new offenders, new techniques arise in their place, or the business continues in another place until police finally catch up with them again.

## Developing a “Problem-oriented” Approach

During the 1970s, the idea of “following the money trail” to catch the “Mr Bigs” of organised crime became an attractive alternative approach, (particularly so with the USA's crusade against narcotic drugs), and the concept of “money laundering” increasingly became an international policing priority. Following the money trail offers police an independent source of intelligence to confirm that something criminal is going on, and at least one half of an international financial transaction can be observed, if the banks are willing to cooperate, without requiring any complex and time-consuming international collaborative arrangements. Anti-money laundering strategies are a valuable technique for policing against organised and transnational crime, but it falls very short of problem-oriented policing because it is still essentially reactive.

What needs to happen is the development of an international database on transnational crime that parallels the local and national databases upon which problem-oriented policing is based. But it cannot happen because of the barriers we place on cross-border policing and information sharing. While there are many instances of bi-lateral and even multi-lateral information sharing, there are simply too many countries that either cannot afford to participate (including many small nations and poorer countries), cannot readily participate (because, for example, their legislation is incompatible with others or forbids information sharing), or refuse to participate (either because they are alienated from the international community, or sometimes because they are simply run by criminals). But there IS another option.....

**John Walker Crime Trends Analysis** has developed a unique methodology to collect data from a wide range of experts in the fields of major crime investigation, anti-moneylaundering, finance and trade economics, both within the country and externally, and a technique for distilling this information to identify priority areas for action against major criminals and money launderers. The more countries that follow this methodology, the more powerful it will become, since data compiled in one country can be compared with data compiled in another, and their relative accuracy assessed.

## How does it Work?

It is not possible to identify criminal proceeds and laundered money by looking only at police data because

- they usually relate only to offences that have been reported or detected
- they focus on evidential issues, and provide only limited information about the proceeds
- they relate only to offences known within the country, and not to criminal funds from other countries

It is not possible to identify criminal proceeds and laundered money by looking only at banking and other finance data because

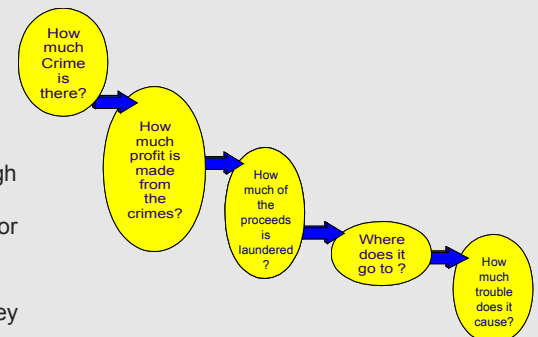
- Criminal origins can rarely be identified.
- Layering and placement processes make it difficult to separate money obtained from crime from legitimate funds.

In order to develop a “problem-oriented” approach to major crime and moneylaundering, we need to know:

- How much crime there is (and where and what sorts of crimes?)
- How much profit is made from the crimes?
- How much of the profit is laundered?
- Where does it go to, and
- How much trouble does it cause?

And we need to be able to link crime in one country with money laundering through another. This can be achieved by a four-step process:

- Collection of official data on the extent and proceeds of the major components of organised crime
- Collection of official data on the extent and nature of moneylaundering
- Conduct of a survey of experts on organised crime and money laundering, both within the country and externally
- Triangulation of the various elements with other crime and economic data



## Our Experience

In 1995, the Australian Transaction Reports & Analysis Centre (Austrac) contracted **John Walker Crime Trends Analysis** to try to estimate the extent and nature of money laundering in and through Australia. The resulting report was acknowledged as a “world first”, and other countries were recommended, by the Financial Action Task Force of the O.E.C.D., to emulate this achievement.

Ten years later, Austrac again contracted **John Walker Crime Trends Analysis** to update those original estimates, to broaden the scope to look at the extent of money laundering in the Asia Pacific region, and to advise on the extent of terrorist financing affecting Australia. The resulting report has been taken into account in the formulation of Australia's new and more powerful anti-moneylaundering legislation.

In parallel developments, **John Walker Crime Trends Analysis** was contracted by the United Nations Office on Drugs and Crime to try to estimate the proceeds of organised transnational crime around the world, and then to develop an economic model of the global illicit drugs trades. The resulting model – also a “world first” - has been presented in the UNODC's World Drug Report 2005.

The credibility of these models allows them to form the basis of an evidence-based, or problem-oriented, approach to combating organised crime and moneylaundering, both at the national and international levels.

## The Methodology in Brief

Ultimately, what we are trying to discover is:

- How much crime is there around the world, how much of it is based in each country/region, and how much impacts on specific countries?
- How big are crime profits around the world, and where are they generated?
- What factors make crime more profitable in some countries/regions than others?
- What factors make some countries/regions more attractive to moneylaunderers than others?
- How much money is laundered each year around the world, and how much of it is generated in, or laundered through, each country/region?
- How much harm is caused by crime and ML in each country/region, and which countries are affected most?

Inevitably, we have to take a country-by-country approach, and the more countries that attempt to answer these important questions for their own jurisdiction, the more triangulation will be possible, and the more accurate will be the pictures drawn by the data.

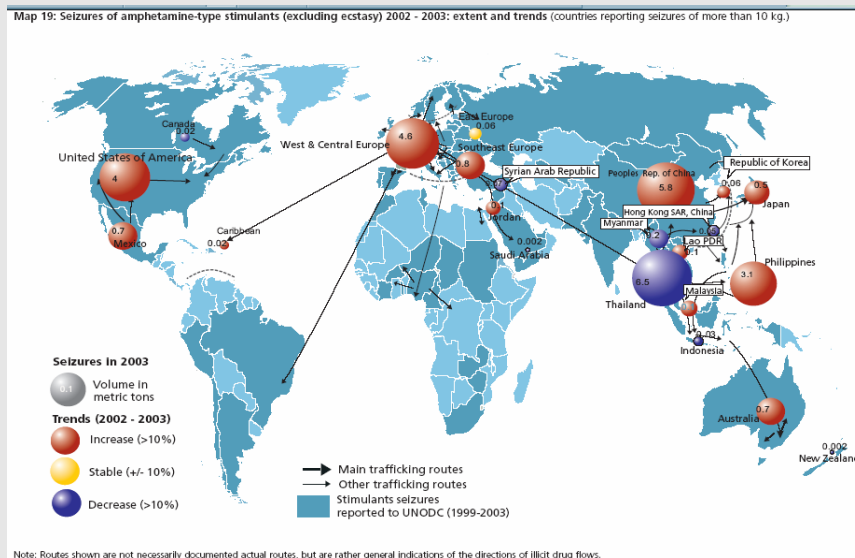
The first step is to compile a credible estimate of the proceeds of crime in the country, which can only be done by considering each type of crime separately, estimating the prevalence of the crime, the likely proceeds per crime, and the percentage of those proceeds that are laundered. All sources of information are considered, including official police data, crime victimization surveys, and data from insurance, taxation, customs and excise, and media sources. Informed academic advice – particularly on the interpretation of the data – is actively sought, through surveys and, where appropriate, expert workshops.

Next, consideration is given to the likely extent and routeing of money laundering flows, using information from the police, the finance sector, anti-moneylaundering agencies, and their counterparts in other countries. Again, informed academic advice is actively sought through surveys and expert workshops.

“Triangulation” - where data from different sources are compared and reconciled – is an important stage in ensuring the credibility of the findings. Data from different countries, for example, can be compared, and the better estimates preferred.

Proceeds of Crimes Committed In Country 3								Total
Destination for Laundering	Internal	Country 2	Country 3	Country 4	Country 5	Country 6	Country 7	
Predicate Crimes – e.g.								
Business Fraud								
Financial Fraud								
Drug Trafficking								
People Smuggling								
Other								
<b>Total Crime</b>								

Modelling – using standard software such as Microsoft Excel – can then identify the areas of highest priority, both in terms of the most damaging patterns of offending and the most seriously affected countries, as in the following example (from UNODC World Drug Report 2005).



## We Know we Can Do It

John Walker Crime Trends Analysis has used this methodology to measure the extent of crime and moneylaundering in and through Australia, and has developed a prototype global economic model of crime and moneylaundering which awaits further development. We have assisted the United Nations Office on Drugs and Crime to develop a global economic model of the illicit drugs trades, based on the survey methodology and economic modeling. We look forward to other challenging assignments that contribute to the prevention of transnational crime.

## Implications for your country's justice administration

### Management Commitment:

To successfully prioritise the fight against major crime and money laundering, the first requirement is government commitment to enable the necessary data to be collected, the necessary research to be conducted, and the necessary 'joined-up' thinking to take place between the different parts of the criminal justice system and other areas, including the finance sector. Conducting strategic-level research is difficult, sometimes costly and often has an uncertain payoff, particularly if it involves whole-of-system collaboration. Daily imperatives leave little time for thinking laterally in a joined up way, so all managers have to be encouraged and taught to think in strategic, whole-of-system ways. **John Walker Crime Trends Analysis** can show you how.

### Expertise/Technology Required:

This is merely 'knowing what's happening', 'knowing what works', and 'knowing how to measure it'. The technology and skills required are routinely available, and the trends analyses and forecasting models can all be built in standard spreadsheet software such as Microsoft Excel, so that the logic is visible and can be modified as required by competent spreadsheet users. Workshops and expert surveys are critical to nurture whole-of-system thinking, and a more robust assessment of crime prevention priorities, **John Walker Crime Trends Analysis** can show you how.

The processes developed in Australia can readily be adapted to your country's situation, as they do not depend on linguistic, cultural or technological factors and, in fact, use consultative mechanisms already very familiar to most administrators. **John Walker Crime Trends Analysis**, with the resources of the Centre for Transnational Crime Prevention at Wollongong University, have the expertise and capability to assist in the identification of priority strategies to combat major crime and money laundering.

## John Walker Crime Trends Analysis' Clients include:

- United Nations Office on Drugs and Crime, Vienna
- The Australian Transaction Reports and Analysis Centre
- The University of Trento, Italy, and the TransCrime Research Institute
- The University of Wollongong, Australia, and the Centre for Transnational Crime Prevention
- The Department of Justice, Victoria
- Corrective Services Departments of Victoria, South Australia, Tasmania, Western Australia, the Australian Capital Territory, New Zealand and Colorado (USA)
- The Victoria Police
- The Commonwealth Department of Aboriginal Affairs
- The Department of the Attorney General of Australia
- The Australian Capital Territory Juvenile Justice Department

## John Walker Crime Trends Analysis' Awards and Client Responses include:

- "While others generate publicity for wild estimates of the extent of money laundering, John Walker modestly devotes much of his life to the development of complex models to identify risks and to quantify aspects of the money laundering problem"<sup>1</sup>.
- "For far too long the illicit drug market has been able to operate and hide in obscurity. It has taken much work and dedication, across the world, to shed light on this pernicious market". ...John Walker's... "collaboration was vital to the development of the model which produced the estimates for the value of the illicit drug market"<sup>2</sup>.
- John Walker ranked amongst the 25 most cited criminologists in the world's major international journals since 1985, and in the top three in Australasia<sup>3</sup>.
- Modeling approach fundamental to CORE – the Public Correctional Enterprise Victoria - being awarded a Silver Medal for Business Excellence during 2003<sup>4</sup> - the highest level ever awarded to any Australian public service agency.
- Acknowledged by the Victorian Department of Treasury and Finance as best practice in the Victorian public service (see their [Management Reform Program Case Study](#))<sup>5</sup>
- Modelling contributed to the awarding of a prize to the Victorian Community Corrections agency for for "Breaking new ground" at the "Probation 2004" international conference<sup>6</sup>. This award recognised "exemplary community corrections projects which serve to advance the knowledge, effectiveness and the integrity of the criminal justice system".

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<sup>1</sup> [http://antimoneylaundering.net/Group\\_Info/?m=200604](http://antimoneylaundering.net/Group_Info/?m=200604)

<sup>2</sup> United Nations Office on Drugs and Crime, Vienna, 2005 World Drug Report, Volume 1 – Preface and Acknowledgments.

<sup>3</sup> Cohn E.G., Farrington D.P., *Changes in the Most-Cited Scholars in Major International Journals between 1986-90 and 1991-95*, Brit.Jnl of Criminology Vol 38 No 1, 1998.

<sup>4</sup> <http://www.businessexcellenceaustralia.com.au/BEA/GROUPS/BEA/NEWS/15-03/NEWS15-03.HTM> records that CORE was... "the first corrections jurisdiction in the world to gain recognition in such an awards process".

<sup>5</sup> [http://www.dtf.vic.gov.au/DTF/RWP323.nsf/0/1fa2bf76c60e15caca256bd7001ac58b/\\$FILE/DOJ%20Envirmnt%20Scanning%202003.pdf](http://www.dtf.vic.gov.au/DTF/RWP323.nsf/0/1fa2bf76c60e15caca256bd7001ac58b/$FILE/DOJ%20Envirmnt%20Scanning%202003.pdf)

<sup>6</sup> <http://www.probation.homeoffice.gov.uk/output/Page163.asp>.