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TOC as a Growing Threat to Regional, Global Security

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Transnational organized crime (TOC) is a significant and growing threat to the security of the United States and a major security challenge in other critical regions of the world. TOC continues to expand dramatically in size, scope, and influence with major destabilizing effects. In recent years, TOC entities have embraced new, and often violent, practices and advanced strategies to circumvent the traditional norms of legal economies and evade security interventions often operating through a vast economic system of dark networks and economies—illicit and illegal sourcing, labor inputs, production, products and services, supply chains, and consumer operations.¹ Within these clandestine systems, TOC entities are expanding their operations, diversifying their activities, as well as exploiting the increased blurring between illicit and licit activities. The rapid evolution of TOC entities in the past 15 years has engendered a more convoluted, violent, and destabilizing convergence of threat vectors challenging security regimes in detecting, disrupting, and dismantling the (il)licit and (il)legal of transnational criminal enterprises.

The Shadow Economy of Transnational Organized Crime

The typical consumer only ever experiences the point of sale for the illicit/illegal good. They do not see the hierarchical structures and transnational trade that undergirds their purchase. The shadow economy, as Medina and Schneider notes, goes by many names and, depending on how it is defined, represents a significant share of global GDP. For example, among 158 states the average size of a state's shadow economy relative to their GDP was 31.9% between 1991 and 2015². By some estimates revenues generated by transnational crime are estimated to be worth as much as \$2.2 trillion annually³. This, of course, does not account for the countless other goods and services illicitly and/or illegally produced and purchased around the world not captured in estimates.

In this piece, we will demonstrate the general hierarchical structure of TOC entities that promulgate a significant proportion of the shadow economy and, in turn, how the existing legitimate economic structures make TOC entity activities profitable and difficult to curtail. At their core, TOCs are driven by market forces and opportunity, and they seek to maximize and sustain profits, similar to licit businesses. Yet while TOC entities operate like other legitimate businesses, albeit with (il)legal/(il)licit goods and services, they actively work to circumvent, evade, and ignore economic norms exercising corrupt, exploitative, and violent means to perpetuate their profit maximization.

The shadow economy consists of two different economies: The illicit economy and the illegal economy. The illicit economy is akin to the informal economy, that is, activities that are largely legal—selling food and other goods. These activities become illicit when they are done “extra-institutionally;” meaning the proceeds are not taxed and are not “recorded” by the government, or the proper permits and other bureaucratic operating requirements are not met. None of these activities are captured in national GDP estimates.⁴ Conversely, the illegal economy consists of productive activities that run counter to domestic and/or international law. Some illegal productive activities (e.g., production of narcotics and drugs) are profitable enough to indirectly impact GDP, while others typically do not.

TOC entities thrive in the shadow economy because they are institutionally adept at navigating between the (il)licit and the (il)legal. In a recent radio interview, sociologist Federico Varese who primarily focuses on Mafia hierarchy, suggested that TOC entities are three conjoined entities: 1) producers of goods and services; 2) traffickers of the goods; and 3) overall TOC governance actors.⁵ TOC governance exists to unify existing shadow economy structures in a similar fashion as a corporation would vertically integrate its supply chain. More specifically, TOC entities in Latin America have become polycrime entities,⁶ embracing multiple types and forms of criminality. Increasingly, TOC entities are structured in such a way to encourage polycrime activity. This is particularly relevant to narco-traffickers, but is also applicable to other criminal entities for whom narcotics production, trafficking, and/or distribution are not their primary type of activity.⁷ These entities now have decades of experience in illicit and illegal practices that benefit multiple different types of transnational criminal activity. With transnational networks in place, weapons trafficking, human trafficking and/or smuggling, intellectual property crime, counterfeit products, and counterfeit drugs all become viable productive activities.⁸

We suggest that there is a fourth role within TOC entities: the “violence worker.” Violence workers are those members of TOC entities that use violence to enforce (bureaucratic) order. Violence workers appear organically, and become specialized, in the ranks of producers, traffickers, and governors, and work to reinforce TOC goals through the use of violence. The “order-enforcement” exercised by violence workers functions as a determined logic of coercion and violence aimed to define the extent of TOC governance.⁹ Significantly, order-enforcement requires a substantial balancing act so that the fear constituted by TOC violence workers creates economic opportunities without fully dele-

gitimizing their standing, especially those that blend illicit and licit activities, or draws significant attention from state interventionary forces.¹⁰ In other words, violence workers employ order-enforcement to normalize TOC entities' claims of legitimacy to govern and operate across their territories. As TOC entities grow and diversify, violence workers have become more indispensable.

For some organized criminal entities, violence workers mainly serve a productive role, meaning that they manage “strong arm” activities like extortion, protection rackets, burglaries, and robberies. In more sophisticated polycrime transnational organized criminal entities, violence workers commit similar activities, and involve violence specialization, like firefights (tiroteos), assassinations (asesinatos), and raids (incursiones) at varying levels of intensity and tactical action, to ensure successful trafficking operations.¹¹ The economic gains from rudimentary violence work are rather insignificant compared with the funds received from successful trafficking operations. Moreover, varying levels and intensity of violence maintained by violence workers across all scales of TOC activity engenders a “criminal governance” that functions in opposition to and often in collusion with the state’s capacity to govern, occupying an occluded space between everyday criminal (bureaucratic) activity and violent conflict.¹²

Borrowing from Mancur Olson’s work, violence workers who support TOC entities are disinclined from participating in what Olson termed “roving banditry” because as “stationary bandits,” they are economically successful and not raising the ire of state entities that could counter their efforts. However, when states flex their muscles and challenge TOC sovereignty, it incentivizes violence workers to organize against state forces and civilian populations to maintain the entity’s existing business practices. Even though violence workers are indispensable to TOC entities in stimulating and maintaining illicit practices, (semi-) legitimate economic structures and individuals, so-called “facilitators”, make TOC activities even more profitable by crossing the between the shadow economy and global economy to serve legitimate customers and TOC entities alike.¹³ Facilitators serve wittingly, and sometimes unwittingly, to connect TOC entities to legitimate economic structures, like offshore bank accounts and shell corporations, in order to sustain growing polycrime infrastructures. Violence workers and facilitators both function to advance perpetuation of TOC activities and their profitability underpinning the foundations of the shadow economy.

Recent TOC Trends

In the past, TOC entities largely remained regional in their operational scope with strict hierarchical structures. Today, TOC entities are more variable and volatile embracing new, and often violent, operational strategies increasing not only their diversification of illicit activities, but also, the density of those illicit activities. Additionally, TOC entities increasingly engage in illicit activities that transgress territories and borders of a single state. This expansion poses serious threats to neighboring states and their citizens, generating both direct and indirect economic harm, affecting social structures, like public health, and hindering the development and stability of states.¹⁴ Notable trends in TOC that present significant challenges today include:

1. **Fragmentation:** TOC fragmentation has led to increasingly adaptable, agile, and competitively violent criminal organizations with varying structures and wider networks.
2. **Geographical expansion:** TOC expansion has led to greater contestation over illicit inputs, routes, and markets globally.
3. **Diversification:** TOC entities are diversifying their criminal portfolios, thus increasing their criminal density, seeking greater profits, consolidation of markets, and safeguarded supply chains.
4. **Legitimate entanglement:** TOC entities are becoming increasingly entangled with legitimate businesses and actors, including state actors (e.g., corrupt security force personnel), and especially, banking institutions to launder money.
5. **Specialization:** TOC entities pursue cross-national specialization, forging networked criminal connections at regional and global scales.
6. **Virtual:** There is an increasing role of cyber capabilities in TOC as TOC entities exploit online dark networks (i.e., the dark web) and licit online economic platforms, to sell goods and services.

The most indelible issues we face when countering TOC involve the metastasizing and merging of regional entities into global juggernauts. The initial Medellín and Cali cartels were transnational because they produced their goods in Colombia and Bolivia and they were transported to, and sold in, the United States. Yet we have seen subsequent Mexican cartels—Sinaloa and Loz Zetas, for example—expand their reach globally partnering with European, Asian, Australian, and African organized criminal entities to reshape the drug trade.¹⁵ This has been evident most recently in the mixing of Mexican

and European assets to produce highly refined crystal meth that has taken over the European recreational drug scene. In late 2020, police raids in The Netherlands discovered a professional crystal meth lab that was truly global: Mexicans cooked the meth using Dutch-made equipment and chemicals sourced from China. The recent raids have uncovered links to the Jalisco New Generation Cartel (CJNG), one of the newer and most violent Mexican cartels.¹⁶ CJNG and the Sinaloa cartel have also been linked to the recent proliferation of fentanyl that has fueled the opioid epidemic in the United States over the last few years.¹⁷ Cartels send envoys to China to purchase dual use precursor chemicals and/or bulk shipments of fentanyl, and then ship those to Mexican ports, like Lázaro Cardenas, where cartel members take possession of the material for further processing, trafficking, and then vending.¹⁸ These methods, at the current economy of scale, make these operations incredibly profitable. The profitability and global nature have led to increases in violence brought about by difficulties managing the hierarchy across global space in addition to the opportunity to earn profit at all levels.

Conclusion

These characteristics of TOC entities—the increasingly global scope of their reach, the institutionalization of violence, and the fine line between illicit and illegal—have profound implications for the global economy. The implications of the capacity and capabilities to counter TOC profoundly shape if, when, and how these current and emerging trends continue to produce violent and destabilizing consequences. The growth in criminal density and geographical expansion of TOC entities across various regions in the world, including the U.S. Southern Border, will only continue to produce instability. As TOC entities form more sophisticated networks and means of transnational operation, it is necessary to consider ways to enhance data collection, analysis, and information sharing capabilities across states to keep pace with the rapidly changing dynamics of TOC activities, and to address gaps in policy and practice to counter TOC.

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