



## Session Report

*Please know you may design the structure of this report to better suit the session. It's important to capture the key outcomes and solutions proposed for the future.*

**Session Title:** Plenary 5: Ending Dark Markets, Criminal Networks and Cross Border Crimes

**Date & Time:** Thursday, 8.12.2022, 1:30 pm - 3:00 pm GMT -5

**Report prepared by:** Antonio Greco, Public Contracting Specialist, Transparency International Secretariat (TI-S)

**Moderated by:** Gretta Fenner, Managing Director, Basel Institute

### **Panellists:**

- Paul Radu - Director and Co-Founder, Organised Crime and Corruption Reporting Project
- Anastasiia Lapatina - Journalist, Kyiv Independent
- Frederik Obermeier - Journalist, Der Spiegel
- Akere Muna - Member of the African Union High Level Panel on Illicit Financial Flows from Africa
- Cecilia Müller Torbrand - Chief Executive Officer, Maritime Anti-Corruption Network (MACN)
- Raymond Baker - Founding President, Global Financial Integrity

### **Thematic focus and purpose of the session**

The session focuses on transnational organized crime, corruption, and dark markets. The main purpose is to bring together leading investigative journalists and global policy experts to discuss how those issue have evolved and intersect, where the most critical hotspots are, and what institutions around the world are doing to fight back.

## Summary of panellists' contributions & discussion points (please be as detailed as possible)

### **Akere Muna - Member of the African Union High Level Panel on Illicit Financial Flows from Africa**

#### ***Why are we in a dark age now?***

In the 1990s foreign bribery was very widespread, and even considered legitimate by some governments to keep up with competitors. Anti-corruption as a policy field was still at its infancy, and no one talked about the huge problem of corruption and stolen assets in Africa. Today the situation has completely evolved and there is much more awareness, as well as international standards and practices to deal with the problem. The TI Movement had to adjust and readjust to such evolving context.

#### ***The Glencore's scandal***

We often tend to think that corporate delinquency does not exist in the global North. Yet, companies based there have been fuelling delinquency in global south. Glencore systematically engaged in state capture, bribing top level officials. It was eventually found guilty and had to pay huge fines in the US and the UK. But the victims of those crimes haven't got a dime out of it.

In Cameroon evidence about the crime was given to the court, in what was the first trial of scale on corruption. Two national oil companies had been bribed and \$60 million disappeared, but the names of criminals were not published. Why? The IACC must make a strong statement against this.

#### ***Conclusive remarks***

One of the main problems is that interests drive the planet, and every time they conflict with justice and equity, they prevail. How can we deal with that? Fish won't fry themselves. if you have no leadership, you have no political will. Every election in Africa has corruption at the center of it. But nothing is done afterwards. Because that's the nature of politics. And that's the work of CSOs and journalists is so important – to make sure that politicians are accountable for what they pledge to.

### **Paul Radu - Director and Co-Founder, Organised Crime and Corruption Reporting Project**

#### ***How has organised crime evolved?***

Those fighting corruption and organised crime must understand the enemy in order to adjust. There is a line, or better, a "highway" connecting "old" mafias that acquired power in the 1970s and 1980s and modern criminal organisations, and it has two main tracks:

- The first track relates to a whole infrastructure that was built decades ago by criminal organisations to perpetrate their crimes. Back then, they were acting as "criminal angel investors", selecting successful criminal undertakings and bankrolling them through high interest loans, and co-opting a range of different intermediaries, such as banks and law firms. Such infrastructure, and the income it has generated, has provided a solid base for future crimes.
- The second track refers to the emerging criminal service industry and the

conception of crime as a business. This consists of ad-hoc “dark markets”, relying on digital technologies and operating across blockchains to offer criminal goods and services, like a Walmart of crime.

Investigative journalists and activists constantly try to put lights on such highway, and criminals make systematic efforts to shut them off.

***Which pieces are we missing?***

Criminals always think and dream big and can afford to do so because they have immense resources. We need to understand those dreams and plans and adjust accordingly. Stakeholders are beginning to see the value of collective actions. We can’t match the same resources or criminals unless we get together. Such collective actions must be built on transparency.

Only by connecting databases and sharing information across countries corruption can be prevented and tackled, as this can help forecast what criminals are going to do next.

***Conclusive remarks***

We’re just building the blueprint for the fight against corruption. We are still too few, but thanks to the hard work we’re all doing we’ll be able to cope with this huge problem much better in the years to come. This is something we need to acknowledge and cherish.

**Anastasiia Lapatina - Journalist, Kyiv Independent**

***How has organised crime evolved in Ukraine? How has the war impacted this issue?***

People in the Ukraine associate poverty and inequality to widespread corruption and organised crime in the country, and this has historically been fuelled by Russia’s criminal networks. It has been seen as a legacy from the Soviet period.

After the beginning of the war, organised crime in Ukraine has changed in nature and become more ideological. It is not anymore about shell companies and illicit financial flows, but rather about mass-looting of museums and other historical symbols as well as human trafficking. Children have been smuggled into Russia and given up for adoption, and a whole organised enterprise with connected markets in neighbouring countries such as Belarus has emerged.

***What’s life like for a young journalist in Ukraine?***

Ukraine is ruled bottom-up. This might sound counterintuitive, but it’s true. That’s because civil society and journalists have been fighting like hell against corruption and organised crime. After the war started, some colleagues have shifted their focus from corruption in government to Russian crimes. However, it is important to keep the issue high in the agenda.

Two weeks ago, we published an investigation on illegal appropriation of weapons, and we were the first doing so. We were worried about the public reaction, given the context, but the response was good. We published an editorial to explain why we

were doing that – “In this war, Ukraine is fighting for its future, and airing allegations of corruption can help the country to become stronger in the future.

***Conclusive remarks***

We usually start our stories with interviews to the actual human beings impacted by issue at hand. It’s people’s stories that make things real. It’s about who ends up being poor and losing things because of corruption.

**Cecilia Müller Torbrand - Chief Executive Officer, Maritime Anti-Corruption Network (MACN)**

***How big is organised crime through the shipping industry? What’s the part of anti-corruption?***

The shipping industry has huge significance for corruption and organised crime. 90% of the global cargos is transported by sea. It is a highly regulated industry, and yet often controls are not adequate. For example, in some of the biggest ports in Europe only 1% of them are checked for illicit trafficking of goods, or drugs.

It is easy to see how the shipping industry is an easy prey for corruption and organised crime. Private sector actors want to carry out their operations in a speedy manner, and it is easy for public officials in ports, who are aware of that, to push for illegal payments to close an eye. Furthermore, shipping companies often operate in very remote areas of the world, and the people operating vessels are far away from their support networks, with inadequate safeguards and insufficient staff.

Criminal networks exploit such situation to smuggle anything, from logs to drugs. Organised crime, which often targets captains, has become a safety issue for the industry. Tackling corruption in this sector is very complex due to the big number of stakeholders, but at the same time this provides room and space for collective action efforts.

***Have companies improved their behaviour in the shipping industry?***

To some extent, companies have improved their behaviour, but we need to work much more on incentives for private sector to act with integrity. Through the Maritime Anti-Corruption Initiative (MACN) we have seen that peer-pressure helps a lot. There is nothing more motivating for companies to sit next to their competitors, talk about common problems, and find a common denominator through which they can work together.

We have noticed that for stakeholders it is easy to blame anyone who is not in the room. But when they sit at the same table, it becomes easy to cooperate. Collective action must bring every stakeholder to the table.

***Conclusive remarks***

We must dare to bring private sector to the table and play a more proactive role in the fight against organised crime and corruption. Incentives are key in this sense. More in general, to get any stakeholder to sit at the table, we must be concrete about what we want to achieve, developing a performance structure with clear objectives and reliable indicators.

**Frederik Obermeier - Journalist, Der Spiegel*****What were some of the key things seen through the Panama Papers? Have you been satisfied by the global reaction?***

The Panama Papers showed how the rich, powerful, and corrupt can easily hide money and illicit assets thanks to a sophisticated system of banks and shell companies. Many things that emerged through the Panama Papers were suspected, but there was no proof. The leak allowed us to find that evidence and look into the “backstage”.

The global reaction was significant. Hundreds of investigations have been started across the world, and around \$2 billion have been recovered so far. In this context, civil society has made a great effort to hold politicians accountable. However, we now need to take these topics out of the expert circle and bring them to common citizens, including children.

***Can we live without data leaks?***

It would be nice to live in a world without leaks, but we will always need bold whistle-blowers risking everything to expose crimes, and we need better laws to protect them. At the same time, we would rely less on leaks if there was more transparency. All governments can open up their beneficial ownership registers, and by doing so they can support journalists and civil society in uncovering corruption.

***Conclusive remarks***

Reaching out to the broader public about these topics is a huge task. We should try to make it clearer that corruption is not an abstract crime, and that it has very real consequences. At the same time, it is often really hard to nail down who the victim is. How can we bring this to children’s life? New platforms? New stories? New comic books?

**Raymond Baker - Founding President, Global Financial Integrity*****Has organised crime got worse? Is it more difficult to fight nowadays?***

Cross-border crime flows might be at its highest level ever, and this is possible because wealthy countries have been providing the banking and intermediary infrastructure for them to operate smoothly. There have been two key mistakes in global efforts to fight the problem:

- First, we have been misdirecting our efforts. Despite its powers, the DEA in the US has never managed to curtail the flow of drugs or increase the price for smuggling it. 90% of its efforts have been devoted to curtailing the supply of drugs and “go after the bad guys”. But how do you curtail something that is potential endless? We need to shift our focus on disrupting illicit money flows. This has already worked with regard to terrorism financing, and it can work with organised crime too.
- Second, wealthy countries love to direct their wrath to poor countries, but they seldom question their own behaviour. Western banks are swamped with Suspicious Activity Reports, and yet 99.9% of illicit financial flows are laundered with impunity. We like to blame other countries, but much of the responsibility is

ours.

***How do you connect the issue of dark market and illicit financial flows with the issue of democracy? How has the phenomenon shaped us as economies and society?***

The original pillars of democracy – representation and voting – have not changed since they were created. However, the original pillars of capitalism have been radically altered. It has adopted a new motivation – secrecy – that has become as important as profits. This was not the case in the 1960s. In support of this new motivation, we have created a financial system around it (tax havens, shell companies, etc.), and left holes in the laws to allow it to work smoothly. Capitalism and democracy should operate in synch, but they’re becoming decoupled now.

## **Main outcomes of session (include quotes/highlights and interesting questions from the floor)**

### **Key conclusions**

- Awareness of corruption is much stronger today compared to the 1990s, and anti-corruption as policy field has much evolved along with such awareness. Companies from the Global North have been fuelling delinquency in the global South. Victims of those crimes have almost never been paid back. The IACC should make a strong statement against this.
- Organised crime has evolved significantly in the past few decades. Nowadays the criminal infrastructure, supported by professional intermediaries, built by the old mafias, and a new criminal service industry, based on new tech, exist along each other, making organised crime very powerful. It can only be fought through collective action and data transparency across borders.
- After Russia’s invasion, the nature of organised crime in Ukraine has changed character and become more linked to ideological struggles, mass looting, and human trafficking, committed by the Russians. Despite this, it is still crucial for Ukrainian journalists to report on corruption by Ukrainians official, as this will help build a better future.
- The shipping industry is a hotspot for organised crime and corruption, due to its potential of being exploited for smuggling, the perverse incentives that push actors to exchange bribes to cut red tape, and the little safety for crews operating in remote ports. This complexity can only be solved through collective action, and some initial efforts by companies, through the MACN, have been successful. However, we need better incentives.
- Big data leaks, such as the Panama Papers and the Pandora Papers, allowed the world to see how the wealthy and corrupt can manage their assets in total secrecy as they please, and the global reaction to this problem was very significant. To prevent such things from happening again, we need to protect whistleblowers, open up beneficial ownership registers, and bring these complex topics closer to broader audiences.
- Cross-border crime might be at its highest level ever, and that’s because there have been two main mistakes. First, efforts have been focused on curtailing the supply (of drugs, illicit goods, etc.) rather than financial flows. Second, wealthy countries have blamed developing countries for it, without cleaning up their own

banking and intermediary structure. Capitalism has adopted a new motivation – secrecy – that has become as powerful as profit.

### Quotes

- *“Interests drive the planet, and every time they conflict with justice and equity, they prevail. Every election in Africa has corruption at the center of it, but nothing is done afterwards, because that’s the nature of politics. Fish won’t fry themselves. And that’s why the work of investigative journalists and CSOs is so important.”* - **Akere Muna, Member of the African Union High Level Panel on Illicit Financial Flows from Africa**
- *“Criminals always think big and dream big and can afford to do so because they have immense resources. We need to understand this and adjust accordingly. We can’t match their resources if we don’t act together, on the basis of transparency.”* - **Paul Radu - Director and Co-Founder, Organised Crime and Corruption Reporting Project**
- *“In this war, Ukraine is fighting for its future, and by airing allegations of corruption we can help the country become stronger.”* - **Anastasiia Lapatina, Journalist, Kyiv Independent**
- *“There is nothing more motivating for companies than sit next to their competitors, talk about common problems, and find a common denominator through which they can work together to solve problems.”* - **Cecilia Müller Torbrand, Chief Executive Officer, Maritime Anti-Corruption Network (MACN)**
- *“It would be nice to live in a world without leaks, but that’s not feasible until there’s secrecy. We will always need bold whistle-blowers risking everything to expose crimes, and we need better laws to protect them.”* - **Frederik Obermeier, Journalist, Der Spiegel**
- *“Capitalism has adopted a new motivation – secrecy – that has become as important as profits. In support of such motivation, we have created a financial system tailored for it, with tax havens and shell companies, and left loopholes to allow it to work smoothly. Unless we fix this, organised crime will always thrive.”* - **Raymond Baker, Founding President, Global Financial Integrity**

### Questions from the public

**What has been done about the Pandora Papers’ revelations on the Aliyev regime in Azerbaijan?**

- Paul Radu: OCCRP has covered the Azeri regime a lot, even before the Pandora Papers. A colleague, Kadija Ismailova, was jailed and plagued with the Pegasus software due to her investigations. As a result, Aliyev’s relationship with the West has somehow shrunk, and it is more difficult for him to do business as he used to do before.

**Isn’t it time that journalists start to investigate authorities in Western countries**

**instead of always focusing on the South and the East?**

- Paul Radu: Organised crime is transnational, but law enforcement authorities operate at the national level. Sometimes it is difficult to establish with whom responsibility lies exactly. Our investigative journalism's main task is to expose transnational crimes that law enforcement authorities find difficult to investigate.
- Frederik Obermaier: Some investigations, such as the FinCEN files, did look into authorities in Western countries. Agree with Paul that it is difficult to investigate transnational crimes, and that is one of the main tasks of investigative journalism.

**Prosecution or prevention? How to deal with lack of will by participants in MACN?**

- Cecilia Müller-Thorbrand : Prosecution and investigation of corruption and crimes are crucial, but incentives for prevention are often forgotten, and that's why they are at the core of MACN's work. We usually do this by bringing the trade perspective to the table and making it clear to companies and governments that if they don't tackle corruption, they'll have problems with trade, investments, and economic growth. Every sector and stakeholder have a reason to fight corruption – we need to understand what it is and align our work accordingly.

**Key recommendations for the future**

- Companies in the global North can and must do much more to prevent corruption in their operations in the global South. Conferences such as the IACC should make stronger statements about this.
- Governments and other stakeholders should join efforts in collective actions against organised crime, and these should be based on cross-border transparency of corporate ownership and financial flows.
- Reporting on corruption, should seek to identify and tell stories about the victims.
- We need to devise better incentives for the private sector to join collective action efforts. More in general, to get any stakeholder to sit at the table, we must be concrete about what we want to achieve, developing a performance structure with clear objectives and reliable indicators.
- Reporting and discussions on organised crime and corruption should be brought and made more understandable to broader audiences.

**Rapporteur's name and date submitted**

Antonio Greco, 19.12.2022