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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: Corruption in Global Supply Chains: Organised Crime's Deadly Tactic

Date: 20 June 2024

Time: 08:30 AM - 10:00 AM (GMT +3)

Moderated (and report prepared) by:

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Panellists:

- Kristina Amerhauser
Senior Analyst,
Global Initiative Against Transnational Organized Crime (GI-TOC)
- Martin Benderson
Associate Director for Collective Action and Partnerships,
Maritime Anti-Corruption Network (MACN)
- David Zeine
ABF-WCO Supply Chain Integrity Project
Australia Border Force (ABF) / World Customs Organization (WCO)
- Jamie Bergin
Research Coordinator
Transparency International

Thematic focus of the session, its purpose and corruption risks:

Under the 21st IACC Thematic, "Kleptocrats, Criminals, Traffickers, And Accomplices: It Is Time to Close Their Global Enterprise", this workshop aimed to give actors working in the anti-corruption field a richer view of the harmful impact of corruption in global supply chains linked, in particular, to organized crime. Those working on the front line in high-risk areas such as international maritime trade and Customs shared specific challenges while also highlighting new measures to combat them. Others, studying global trends, gave context that aided understanding of the wider impact of these issues.

Summary of panellists' contributions & discussion points:

Each of the panelists briefly introduced the organizations they represented and noted these organizations' links with and interest in the issue of corruption of global supply chains, in particular by organized crime. GI-TOC has been conducting research into on illicit markets, including the role of ports as well as the interlinkages of corruption and organized crime. MACN has been working in partnership with the maritime industry, governments, and civil society to eliminate maritime corruption and promote inclusive trade. The ABF and WCO, through their joint Supply Chain Integrity Project have been looking into ways to make international supply chains more resilient to corruption and threats posed by organized crime and criminal infiltration. And the Anti-Corruption Helpdesk, run through collaboration between Transparency International and U4 has recently been working with the WCO Anti-Corruption and Integrity Promotion (A-CIP) Programme to look at the issue of how Customs, as key actors in the global supply chain, can protect themselves from physical threat by organized criminal groups.

Following these introductions, **Kristina Amerhauser (GI-TOC)** provided an initial picture of the issue of corruption in global supply chains and links with illicit markets. She did this by giving a specific example, based on GI-TOC's global research of the illicit market of a protected species: the wild Abalone marine snail.

GI-TOC has mapped out the criminal supply chain for this illicit market and shown how corruption takes place at each step which helps to explain how illicit activity can follow the same routes as licit trade. In addition, the money flows for this trade show that even though the bigger money is made farther down the supply chain, there is substantial income and bribe payments along the first part of the value chain.

The research also found numerous points of convergence with other illicit markets, underlining that criminal markets do not operate in isolation. Kristina also noted the role of enablers – the lawyers, money movers and logisticians – that facilitate the trade. Across GI-TOC's work, researchers are seeing how business, political and criminal elites are moving closer together and the lines between the under and the upper world are becoming more and more blurred. Illicit markets and actors take advantage of the informal economy, offshore tax havens and SEZs and these links need to be better understood.

Lastly, Kristina detailed multiple and wide-ranging harms associated with this particular illicit trade, including poaching, corruption, violence, exploitation and the strengthening of socially destructive organized crime groups like gangs. She surmised that these wide-ranging harms need to be assessed broadly, and this can only be done by understanding better the ecosystem in which the crime takes place.

Martin Benderson (MACN) responded to GI-TOC's exposure of the complexity of corruption in global supply chains, with a perspective from the experiences of ship captains and MACN's member companies, who find that corruption in supply chains involving the maritime industry is complex, involves multiple levels and often both the private and the public sector.

One reason for this is that seaports and maritime trade is complex in the sense that many players from both the public and the private sector side must be involved to inspect and clear ships that enters a foreign port. Martin noted that this creates opportunities for 'coercive' corruption where port stakeholders extract bribes from companies for performing routine tasks during vessel and cargo clearance.

Martin described the corruption in seaports that MACN encounters in its country initiatives is often upheld through informal public-private networks of individuals working in a corruption-driven incentive structure where gains are shared between public and private sector stakeholders. He flagged that the corruption schemes are oftentimes sanctioned from the top – at senior level in the government, including ministry level, national court system, and through court orders.

Martin also provided a few thoughts on the linkage between the corruption seen through MACNs work and organized crime. Most notably, MACN has seen examples of maritime corruption being more prevalent in regions and ports where organized crime is reported to be high, and has particular first-hand experience of this from work in Latin America. Martin did note this could be either from organized crime and corruption thriving where governance is weaker; or that organized crime and infiltration contributes to weakening the governance in these regions and ports port.

David Zeine (ABF-WCO Supply Chain Integrity Project) shared some of the experiences that have informed the Project's approach in terms of looking into responses to the issue of corruption in global supply chains. He echoed the points made by the other panelists and shared some specific experiences from Customs authorities that illustrated this.

David pointed to Customs' experiences of organized crime groups becoming more diverse and sophisticated in their efforts to transport illicit commodities around the globe. He also showed that it was prolific, across various points of entry in multiple sectors, including land, air and sea movement of cargo, using recent data from cocaine seizures as evidence of this.

David emphasized and expanded upon the role of internal conspirators, and pointed out the extremely profitable nature of the criminal undertakings that exploit large gaps between supply and demand and motivate these internal conspirators, facilitators, and enablers.

Kristina (GI-TOC) added to the interventions from MACN and the ABF-WCO Supply Chain Integrity Project with a few more observations on threats and challenges for ports and customs and other actors along the international supply chain, in particular due to organized crime and corruption.

She noted that there are often legal and illegal forms of extraction and use that require not only a functioning permitting system but also for port and customs officials to know about what is legal and illegal to be traded and how. Significant capacity gaps pose a challenge and offer significant opportunities for corruption.

Kristina also pointed to the nature of ports as closed off and restricted access areas, which poses a further challenge as many ports function almost like an eco-system by themselves. In terms of understanding corruption, the risks should be understood in this context. Port corruption risk factors include the governance or jurisdictional structure, the port administrative structure, and the physical structure of the port (including security and proximity to criminal networks or illicit trade flows). These risks are further amplified when free trade zones or special economic zones operate within ports.

Jamie Bergin (TI) presented study on the specific topic of organized crime and its tactics to infiltrate customs and other actors along the supply chain. This was research conducted by the Anti-Corruption Helpdesk in response to a question posed by the WCO Anti-Corruption and Integrity Promotion (A-CIP) Programme, through its funding partner, Norad.

Jamie, noted that a most fundamental level, corruption is a tactic used by organized criminal groups to enable profit-making activities such as wildlife trafficking and narcotic trafficking as described by the previous speakers. He said organized criminal groups uniquely have another tactic at their disposal, namely their willingness to threaten and exact violence. The Helpdesk paper he authored explores this interplay between these two tactics which he said creates many risks and challenges.

Jamie said that in anti-corruption was important to try and “get into the mind” of the subject and object of a corrupt relationship and described a theoretical model many organized criminal actors appear to operate by where they refrain from violence to corrupt a Customs officer if they can corrupt by less riskier means. An unintended consequence of successful targeted anti-corruption intervention could be that organized criminal groups change their tactic to violence in order to get what they want. This essentially means that unlike addressing many other forms of corruption, tackling corruption perpetrated by organized criminal groups carries special risks of unintended consequences, namely harm to the object.

Furthermore, Jamie explained how in practice, corruption and violence are not easily decoupled. A finding in the Helpdesk paper which repeatedly emerged from the review of the secondary and primary source material is that corruption and threatening violence are tactics used in tandem, and that people who are subject to bribery offers from organized criminal groups tend to perceive such offers and being accompanied by an implied threat of violence to them or their families. On top of this, when corrupt officials wish to break out of a corruption relationship with an organized criminal group, the latter will often threaten to violently retaliate.

These dynamics mean that a different approach may be needed to prevent corrupt customs officials and border agents from entering corrupt relationships with organized criminal groups, but also to help them exiting from such a relationship. The paper contains ideas on how this can be done through enhanced integrity measures utilizing a risk-sensitive, do no harm approach.

David (ABF-WCO) gave some more insight from the frontline in the fight against corruption and shared some measures that could potentially prevent the emergence of physical threats from organized criminal groups targeting supply chains. Specifically, he emphasized the importance of building resilience within Customs administrations – enhancing their capacity to withstand stress, failure and adverse conditions.

He pointed out that this can be done most successfully by enhancing control measures while looking towards new and emerging risks, thereby contributing to future-proofing of the institutions.

Lastly David posited that efforts to raise awareness of the need for greater resilience, especially those that include the use of aspirational models, can help ensure key stakeholders, both internal and external are on board the process and therefore contributing to its success.

Martin (MACN) also provided some further thoughts from the maritime sector on measures that could be taken to stand up to the threats from organized criminal groups targeting MACN’s members. He started by pointing out that, while a lot is already being done within members of the private sector to address corruption, it cannot be done by a single company alone.

He reminded participants that organized crime as well as corruption in ports is a multi-stakeholder problem that requires a multistakeholder solution. A company can take all the security measures it is able to protect its vessel but this does not help if unauthorized people can access the port facility due to ineffective security measures.

Martin further cautioned, that even when port facilities do take better security measures, this alone is not sufficient. There are other basic measures to tackle corruption that ports need to also invest in such as having polices and awareness training in place, having reporting channels and setting the right tone from the top.

To amplify this message, he highlighted the MACN's Global Port Integrity Platform, a data platform that is being used to benchmark the integrity performance of about 250 ports and terminals worldwide. MACN also uses data from the industry, highlighting ports and stakeholder where they faced corruption, and combine this with research data on the systems, practices and polices that authorities in the port put in place to combat corruption.

MACN collects this information to help identify gaps and ascertain whether good practices exist to prevent corruption, or if basic ABC compliance is in place, and in turn encourage investment in these elements. He illustrated this with an example from Nigeria, where MACN learned that interagency collaboration between government agencies is key. Having a platform where government agencies and law enforcement can collaborate to reduce incidents on board or onshore which deter corruptive practices.

Lessons from Nigeria as well as other ports such as in Argentina demonstrate that there needs to be collaboration and there needs to government needs to police their own staff, and there needs to be buy-in from the senior-most government officials to protect the champions of change. Clear channels for escalation as well as mechanisms to single out those that are preventing and resisting reform are also important. This is key to prevent physical threats.

Jamie (TI) provided some recommendations for customs, ports, and other actors along the international supply chain who want to address the issue. He noted the importance of avoiding a one-size-fits-all approach to implementing actions; organised criminal groups are a diverse group operating in a very diverse range of contexts. He noted there is emerging research which tries to develop a typology and classify the degree of infiltration which an organised criminal group has over national actors and the corruption risks this poses. This kind of information would be very useful inputs for carrying out a risk assessment ahead of implementing any intervention; he also recommended that such assessments be grounded on multi-stakeholder partnerships given the multidisciplinary nature of the problem at hand.

In terms of concrete measures, Jamie highlighted that some of the previous interventions flagged as good practices are also described in detail in the Helpdesk paper. He said it was not necessary to reinvent the wheel, but important to enhance existing measures to ensure they capture the specific risks posed by organised criminal groups. An example would be utilising simulation-based training to simulate an exchange between a customs officer and an organised criminal group so that learners can directly understand what acting with integrity would look like in that scenario.

Another measure is whistleblowing. Jamie explained how TI has facilitated the establishment of whistleblowing mechanisms all around the world, which are a great tool for uncovering and deterring corruption. In line with a risk-sensitive, do no harm approach, there may be a need for enhancing whistleblowing safeguards to protect officials from the threat of violent retaliation from organised criminal groups. This can be achieved by increasing cooperation

with law enforcement and the provision of witness protection measures, such as surveillance and rotation to a new location.

Kristina (GI-TOC) also provided some recommendations and noted that a key part of any response is a diversity of data, engagement and response from across different sectors of society. She noted how the GI-TOC's organized crime index highlights the space for civil society to cooperate as a key indicator of resilience.

She also pointed to GI-TOC's Resilience Fund, which has supported civil society initiatives that can help build trust between groups and reduce violence through activities like mediating between violent groups, supporting community policing, social inclusion and skills, and working with at-risk youth.

A broader range of measures need to be taken to build integrity in society and to safeguard customs sector from the violence and corruption associated with organized crime. These include transparency, strong institutions, checks and balances, cultural change etc. is needed. Local investigative capacities need to be strengthened and a special emphasis should be placed on improving the capacity – particularly of customs officials – to carry out local and contextual risk assessments.

Lastly, she mentioned the utility of special joint units and crime liaison officers in ports to act as focal points to bring together necessary stakeholders to tackle the complex networks of criminal and corrupt activity.

Main outcomes of the session

Panellists concurred on the **complex nature of corruption of supply chains by organized criminal networks**, including the breadth and multilayered nature as well as the **concurrent use of both licit and illicit systems**.

In order to successfully combat corruption in the global supply chain, corruption risks need to be understood taking account how they relate to different and specific parts of the complex global picture. This requires a **multi-stakeholder approach to corruption risk mapping**.

A question from the floor asked what role technology might play in this. Panelists were somewhat divided on the timeline by which such technologies might be able to make a difference, but concurred on the **potential for data sharing and analysis to help prevent corruption and infiltration by organized crime and drive dialogue and reform agenda**.

Key recommendations for the future and concrete follow-up actions

Actors working in the anti-corruption field can take forward into their respective work, a more nuanced view of the nature of corruption in global supply chains provided by those working on the front line. As well, a deeper understanding of specific challenges in high-risk areas such as international maritime trade and Customs.

Moreover, they can take note of some of the measures discussed to combat it and be motivated to take action in light of the harmful impact of corruption in global supply chains linked, in particular, to organised crime.

The organizations involved in the panel discussion, the WCO, MACN, GI-TOC and Transparency International, will continue to work together to share ideas and find opportunities to collaborate on pulling the pieces together of this complex issue.

This can include:

- Integration of GI-TOC and Anti-Corruption Helpdesk research into MACN and WCO activities
- Sharing of data and promotion of joint efforts between WCO and MACN in projects around certain ports where initiatives coincide.

Other stakeholders interested in joining the panelists' work on the issue are welcome to reach out to any of the organizations involved.

Opportunities for scaling up the solutions discussed in the session

Organizations interested in this topic, including those involved in the workshop panel, may explore further the potential and opportunity to develop a framework for multi-stakeholder corruption risk mapping in global supply chains.

This could, for example, expand on the WCO and IAPH launch Guidelines on Cooperation between Customs and Port Authorities, as well as existing efforts by WCO to create corruption risk maps on common Customs operational and administrative processes. GI-TOC's vision of port security liaison officers and joint task forces could be leveraged to support multi-stakeholder coordination on corruption risk mapping as well as their insights to potential of involving civil society in the process. MACN's leadership of collective action efforts to date can help build trust needed for effective work in this area.

Call to action to key stakeholders:

Work together to understand and address the complex corruption risks associated with international supply chains and influence of organized crime.

Rapporteur's name

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25 June 2024