



TRANS-PACIFIC SYMPOSIUM

ON DISMANTLING TRANSNATIONAL ILLICIT NETWORKS

TRANS-PACIFIC WORKSHOP ON COMBATING CORRUPTION AND ILLICIT TRADE

**Phuket, Thailand
27-29 October 2011**

CO-CHAIRS' SUMMARY OF OUTCOMES

Shutting Down Illicit Markets, Putting Criminal Entrepreneurs and Kleptocrats Out of Business, and Dismantling Transnational Criminal Threats and Illicit Networks

More than 125 law enforcement and other government officials from 30 Asia-Pacific economies and representatives of regional and international organisations attended a workshop held under the auspices of the Trans-Pacific Network on Dismantling Transnational Illicit Networks in Phuket, Thailand from 27-29 October 2011. The Phuket workshop was co-hosted by the governments of Thailand and the United States, in partnership with The Colombo Plan and other international partners.

Participants opened the plenary session with a moment of silence and offered condolences to those affected by the historic flooding that has devastated northern and central Thailand's communities and ecosystems. The participants also recognized the continued courage and determination of the Royal Thai Government, emergency workers, and volunteers in rebuilding efforts and extended their support to other Asia-Pacific partners in Christchurch, Sendai, and other Asian communities that have similarly suffered from natural disasters over the past year. Through our commitment, compassion, and resilience, we will rebuild.

Cross-Border Threats: Fighting Networks with Networks

The Phuket workshop continued to advance the strategic objectives from the inaugural Trans-Pacific Symposium on Dismantling Transnational Illicit Networks hosted by the United States in Hawaii from 9-12 November 2009, which was co-organized by the governments of Australia and New Zealand. In 2010, the second Trans-Pacific workshop was held in Christchurch, New Zealand, co-hosted by the governments of New Zealand and the United States. APEC also embarked on a dialogue on combating corruption and illicit trade in Singapore (2009), Sendai, Japan (2010), and in 2011 in Washington, DC and San Francisco, CA.

This year's Trans-Pacific workshop highlighted the importance of inter-regional partnerships to combat corruption and illicit trade, sharing information and best practices in meeting regional challenges. Discussion focused on the urgency of targeting the web of crime and corruption across borders including: narcotics trafficking; falsified/counterfeit medicines; environmental crimes such as illegal logging and associated trade and trafficking in wildlife; and corruption and money laundering that facilitates illicit trade.

Increasingly sophisticated and organized criminal entrepreneurs and transnational illicit networks are fuelling greater insecurity and instability across our economies, threatening our communities, and endangering the health and safety of our people. Over the past two decades, criminal entrepreneurs and transnational illicit networks have expanded in size, scope, and impact. Transnational criminal organizations exploit illicit financial hubs and trade routes to penetrate licit markets, leveraging the technological, financial, and communications advances of globalization to further their illicit activities. This results in billions of dollars of lost revenue for governments. The convergence of these networks is of particular concern today, as their confluence threatens commercial, transportation, and other systems that facilitate free trade and the movement of people throughout the global economy. These converging threats jeopardize governance, development, security, and the integrity of markets and supply chains.

Participants agreed that transnational crime and corruption threaten many of our mutually-shared interests. The convergence of illicit markets continues to poison legitimate supply chains, economies, and communities with low-quality counterfeits and products made of illegal timber. The trade in inherently illicit goods such as narcotics and endangered wildlife and their parts endanger state authority and governance.

Criminal markets have transformed to become more multi-faceted, resulting in a newfound threat convergence. Participants recognized—now more than ever—the importance of coordination, cooperation (formal and informal), and collaboration across borders and across law enforcement jurisdictions in order to effectively combat such networks.

Law enforcement officials from across the Trans-Pacific region continue to encounter the growing sophistication and joint ventures among illicit organizations from regions such as Asia, West Africa, Latin America, Middle East and Eurasia. While regional law enforcement agencies have made significant narcotics seizures, arrests, and confiscations and recovery of bulk cash related to drug trafficking in their cross-border operations, of growing concern to participants is the expansion and influence in the Asia-Pacific region of Latin cartels, West African gangs, and Iranian-based criminal organizations.

These enterprising illicit networks continue to manipulate the uneven application of cross-border enforcement efforts, arbitrating differences in regulatory policies to maximize illegal profits.

Key Outcomes: Collective Action to Dismantle Illicit Networks that are Arbitrating Weak Borders and Corrupt and Illicit Pathways

Participants and experts from the region provided informative presentations and assessments/analyses of transnational organised crime trends globally and regionally in the Asia-Pacific region. These shaped

the discussion and tone for the workshop, which sought evidence-based solutions to confront the threats facing jurisdictions across the region.

The theme of this year's workshop was inter-agency and regional cooperation in combating corruption and illicit trade. Workshop participants acknowledged that the threats posed by increasingly sophisticated transnational criminal networks are evolving and not abating. As the world becomes more interconnected, inter-regional synergies and partnerships become ever more important to disrupting and dismantling criminal entrepreneurs and illicit networks.

Participants agreed that enhanced coordination and communication between governments, international agencies, and non-governmental organizations (including the private sector) are indispensable for effectively disrupting criminal networks and achieving greater operational results, including:

- building trust between agencies both nationally and internationally;
- improving collaboration and coordination among the major regional and international organizations that implement programs to combat transnational threat;
- establishing enduring, working relationships between counterparts across borders;
- leveraging intelligence- and information-sharing arrangements;
- promoting mutual legal assistance or other arrangements for evidence sharing to assist in carrying out investigations and prosecutions;
- improving technology, technical skills and leadership capacity;
- expanding capacity-building efforts at the regional, sub-regional and bilateral levels that help to prevent, investigate and prosecute cross-border crime and corruption;
- utilizing international instruments and existing cooperative frameworks as tools and resources, including the UN Conventions against Corruption (UNCAC) and Transnational Organized Crime (UNTOC) and its protocols; and the Financial Action Task Force (FATF) principles on combating money laundering and terrorist financing;
- coordinating with other relevant regional forums, such as the EU-US Trans-Atlantic informal network on Dismantling Transnational Illicit Networks and strategizing more closely with key international partners to combat cross-border threats (illicit criminal networks that arbitrage weak borders and corrupt channels);
- synchronizing regional transnational crime units with fusion centers and other intelligence-based regional policing efforts, and connecting with international organizations (e.g., INTERPOL);
- promoting public awareness of the real costs to governments and their citizens of the insecurity, the loss of revenue, trade and investment, and the risks to health and safety caused by the activities of illicit networks; and
- supporting a greater need for data collection in order to enhance research and benefit governments and partners alike.

Specific Observations and Comments:

From narcotics to environmental crimes to counterfeits, criminal networks are not only expanding their operations, but they are also diversifying their activities, resulting in a convergence of transnational threats that have evolved to become a complex, multi-dimensional network. Criminal organizations and terrorist groups are increasingly forging alliances of convenience for logistical and financial support at nodes around the world. The convergence of these networks results in the need for cross-cutting licit networks and cooperation among agencies to partner together to combat and dismantle criminal networks:

Narcotics Trafficking and Demand Reduction: Despite demonstrable counternarcotics successes in recent years, narcotics trafficking remains a serious threat to the health, safety, security, stability, and financial well-being of communities, businesses, and governments across the globe. Narcotics traffickers no longer limit the production, transportation, and distribution of their illicit product to one country/economy or one region. Utilizing ancient and modern trade routes, traffickers have responded to economies' efforts to combat them by vaulting borders and seeking new, less regulated illicit markets, moving illicit drugs bi-directionally from Latin America and the Asia-Pacific region and beyond. Criminal organizations today are more savvy than in the past, arbitraging points along criminal pathways to engage in illicit trade, to consolidate their market share, and to develop new trafficking hubs and illegal markets. By some estimates, global narcotics trafficking alone generates annual earnings of \$750 billion to \$1 trillion. Given the size and momentum of many markets in the booming Asia-Pacific region, narcotics trafficking and the convergence of this threat with other criminal activities, including terrorism, pose a dangerous threat to those living in communities and working in this region.

In addition to dismantling narcotics-trafficking cartels, sustained demand reduction, drug prevention, treatment, and education programs and strategies are important in reducing drug use, drug-related violence, youth involvement in gangs, and other criminal activity. The demand for illicit drugs fuels the power, impunity, and violence of criminal organizations around the globe. Expanding drug consumption provides significant amounts of illicit income to drug trafficking organizations, terrorist groups, and transnational criminal networks alike.

The demand reduction working group acknowledged the challenges posed by increased drug use, high relapse rates, thousands of untrained drug treatment personnel, and the alarming lower age for the initial onset of drug use (e.g., in many parts of the world, drug addicts as young as 4-8 years of age have been detected for the first time). Of particular concern was the high purity of drugs such as Afghan heroin and the impurities/toxic cutting agents in Latin American crack cocaine that are causing a public health crisis, in addition to regionalized drug epidemics. Addressing these unprecedented challenges with innovative programs, "best practices," and evidence-based prevention and treatment programs are necessary in order to reduce illicit income generated for transnational criminal networks.

Recognizing the Trans-Pacific Symposium mandate to develop regional solutions, the working group recommended the adoption of regional and global initiatives designed to train and certify addiction counselors in the thousands of drug treatment programs that exist on both sides of the Pacific Ocean. The on-going collaboration among the Colombo Plan, the Organization of American States (OAS), and the UN Drug Control Program (UNDCP) on the provision of training curricula based on evidence-based treatment practices was cited as one solution. Additionally, the working group recommended the

promotion of science-based preventive programs for communities and schools (e.g., life skills programs) as a key solution to prevent initiation of drug use.

Environmental Crime: Environmental crime – from illegal logging and fishing to the illicit trade in endangered species and their parts and the dumping of hazardous materials – is a global, cross-border issue and one that deeply affects the revenue generation of governments, livelihoods, and sustainability of communities across the Asia-Pacific region.

The Trans-Pacific workshop focused on environmental crimes, specifically looking at illicit logging and associated trade. The purpose of this working group was to establish a partnership to enhance cross-sector regional cooperation to combat criminal networks illicitly trading in illegally harvested or stolen timber. The working group emphasized the need to reinforce commitments to strengthen forest law enforcement sectors and criminal justice communities both within and across national borders. This included the need to take concrete measures to combat illicit logging and associated trade in all three areas: prevention, detection, and suppression.

The working group session engaged in robust discussions covering the principles for a regional legal framework, a case study and data analysis on timber production from Indonesia, existing tools and resources for investigations and prosecutions, and targeting illicit financial flows linked to illicit logging.

A common theme throughout the workshop was the need for political will to be elevated at a high level to ensure firm commitment for long-term solutions. Following political commitment is the need for a legal framework that can be supported by strong mechanisms that will enable enforcement. Such mechanisms at the national and sub-national levels will enhance coordination both within and across agencies, thereby strengthening coordination at domestic and international levels.

Some solutions that the regional experts encouraged include:

- obtaining international recognition to bolster political will;
- evaluating model or best practices to elevate the priority levels associated with illegal logging in government departments;
- strengthening mechanisms to allow for the sharing of information within and among other government departments;
- utilizing and strengthening existing networks, such as UNCAC, CITES, ASEAN-WEN, UNODC;
- engaging with national banks to provide sound guidelines to the lenders of forestry markets.

The experts also noted that transnational cooperation is enhanced when forestry crime enforcement is merged into a “white collar” crime model, such as smuggling or money laundering. Such a merger expands both investigation and prosecution options by fully employing the resources of both national and forestry police to recognize the full range of enforcement capabilities available and to disrupt and dismantle trafficking rings from the forest to the market.

Illicit Trade of Counterfeits including Medicines: Falsified, fake, or counterfeit medicines, medical products, and other dangerous counterfeits and defective and tainted products imperil the safety of our citizens and shakes market confidence. The illicit trade of these counterfeit products is another profitable area for transnational criminals, especially given its high reward/low risk calculus.

This working group focused on how dangerous counterfeits continue to enter regional and global supply chains and markets, with harmful impacts on communities, healthcare institutions, and businesses. Particular attention was focused on a law enforcement operation known as MEDI-FAKE which was first launched several years ago when the European Union (EU) decided to clamp down on counterfeit drugs entering markets across Europe.

Building on the success of MEDI-FAKE, and working with numerous partners in both public and private sectors, the US Department of Homeland Security's Homeland Security Investigations and Chinese Taipei Customs briefed the working group on how they jointly developed a strategy building on MEDI-FAKE to tackle the issue of counterfeit pharmaceuticals impacting the Asia Pacific region.

The working group underscored that the chief factor in the success of Operation MEDI-FAKE was cooperation across borders and the building of coalitions at all levels. Some noted that this was particularly important as the distribution of counterfeit medicines or pharmaceuticals, like the other types of crimes discussed at the Symposium, is carried out by transnational criminal organizations that utilized their networks to move their products around the world and into the commerce of the international community. Participants noted that where other crimes, such as narcotics trafficking, had significant criminal penalties, the movement of counterfeit medicines/pharmaceuticals often has very little in the way of criminal penalties, but huge potential for profit.

The working group further discussed numerous challenges faced by governments and their law enforcement agencies in combating the crime of counterfeit goods and deemed the following areas as important in ensuring success in future operations:

- Education of both law enforcement and the public;
- Cooperation and the sharing of information between government domestic agencies and foreign counterparts, on a real-time basis, are essential for success;
- Cooperation between government and the private sector are also essential for success;
- Legislation with greater penalties as well as a uniformity of legislation in the international community in order to obtain greater cooperation and success.

In the area of counterfeit medicines, it was further suggested that government agencies should work to educate their political representatives to understand the full impact that counterfeits posed to their communities, both through the loss of revenue and the outright risk to public safety and health.

Some participants in the working group raised awareness of complimentary or alternative medicine, in particular, traditional Asian medicines, that provide healthcare support to the marginalized, poor, and others from various cultures in Asia and the Pacific. These traditional medicines use ingredients obtained or derived from wild plants and animals, including from threatened and endangered species. This alternative medicine is a crucial support system for these communities, which suffer from

counterfeits and adulteration of medicines. It was encouraged that enforcement agencies should learn more about these traditional medicine systems and how to help control and monitor traditional medicine in cooperation and collaboration with health ministries to enforce the illegitimate manufacturing and trade of counterfeit medicines and the use of endangered species.

Participants agreed to enhance efforts to investigate and prosecute the criminal actors who produce and sell illicit goods such as falsified/counterfeit medicines, while simultaneously strengthening the integrity of legitimate supply chains, and working with the private sector and other stakeholder interests to ensure that all communities have access to safe and effective medicines.

Corruption and Money Laundering: Corruption is theft from a nation. It robs citizens of their potential and their aspirations for a brighter future: a better education, better healthcare, and better access to housing, food and water, and other subsistence needs. It hampers prosperity, foreign investment, economic growth, and reduces the effectiveness of development assistance flows as funds are diverted from their intended purposes.

Corruption also destabilizes rule of law and market-based institutions that underpin democracy. It also fuels and facilitates transnational crime and threatens the collective security of economies across the Asia Pacific region. Dishonest, corrupt, and unethical behavior among public officials undermines the trust and confidence of the people in their government.

During the discussion on corruption and illicit financial flows, some participants provided an overview of how jurisdictions were combating global kleptocracies. The United States briefed on Presidential Proclamation 7750 (PP7750), which denies safe haven to suspected kleptocrats, those who corrupt them, and their illicitly-acquired assets. PP7750 prevents past and present foreign officials whose corrupt practices have "serious adverse effects on the international economic activity of U.S. businesses, U.S. foreign assistance goals, the security of the United States against transnational crime and terrorism, or the stability of democratic institutions and nations" from entering the United States.

Criminal entrepreneurs and kleptocrats tap into corrupt channels to launder their illicitly-acquired loot and embezzled public funds to obtain safe haven and protection for themselves and their complicit partners. Participants agreed to continue to tackle corruption, deny safe havens to kleptocrats and criminal entrepreneurs around the world, bar their illicitly-acquired assets, and strongly signal that continued theft from our economies will not be tolerated.

Following illicit financial routes must be an integral part of comprehensive strategies to deny criminals and the respective networks access to channels to launder their illicit wealth. Participants also recognized the importance of strengthening legal frameworks and institutions to prevent and combat corruption, through implementation of the UN Convention against Corruption and other relevant standards.

Participants strongly agreed that depriving the networks of their profits and funding is one of the most effective ways to deter them. This requires a holistic, comprehensive anti-money laundering regime with the ability to gain proper financial intelligence to trace, freeze, seize, and confiscate assets related to corruption, trafficking, and other forms of crime, as well as cooperation in asset recovery consistent with the provisions of the UN Convention against Corruption. It also requires developing and deepening

ties among law enforcement and prosecutorial officers across jurisdictions, to build contacts and confidence that will support informal investigative and formal international legal cooperation, including through measures and initiatives to foster networks of such officials in the anti-money laundering, anticorruption, and asset recovery spheres. Finally, greater open government and participatory governance by civil society in public affairs were underscored as key tools for increasing transparency, accountability, and combating corruption.

Transforming Partnerships across Asia and the Pacific to Combat Transnational Crime and Corruption

As APEC economies meet for the Leaders' Summit in Hawaii on November 8-13, 2011, we remain cognizant of the 2010 commitment in Yokohama, Japan, whereby APEC leaders agreed to leverage collective action to combat corruption and illicit trade by promoting clean government, fostering market integrity, and strengthening relevant judicial and law enforcement systems. APEC leaders continue to encourage member economies to dismantle corrupt and illicit networks across the Asia-Pacific region.

Moving forward, participants agreed to support efforts to launch public-private partnerships across Asia and the Pacific to dismantle illicit networks at every link in tainted supply chains and to prosecute criminal entrepreneurs who arbitrage weak and corrupt law enforcement systems and exploit internal border controls for illicit gain and enrichment.

Participants applauded partners across Asia-and the Pacific – a network of networks – that remain committed to collective action to combat transnational threats, including: APEC, the Colombo Plan, the Association of South East Asian Nations (ASEAN) and associated fora including the ASEAN Regional Forum, ASEAN-WEN, and the ASEAN Senior Officials' Meeting on Transnational Crime, the Pacific Islands Forum (PIF) Regional Security Committee and other Pacific regional immigration, customs and police organisations, the Organisation of American States (OAS), the Organization for Economic Cooperation and Development (OECD) and other multilateral organisations, such as the United Nations Office on Drugs and Crime (UNODC), INTERPOL, The World Bank, and the World Customs Organisation (WCO).

Net-Centric Partnerships: Realizing the Trans-Pacific Network in 2012

The United States government reported on the *Strategy to Combat Transnational Organized Crime: Addressing Converging Threats to National Security* (available at: <http://www.whitehouse.gov/administration/eop/nsc/transnational-crime>), which aims to transform partnerships globally to protect economies from the destabilizing influence of transnational criminal networks and their corruptive power. Other participants similarly reported on their national efforts to combat transnational criminal threats.

As international criminal entrepreneurs, organizations, and syndicates exploit weak borders and corrupt and illicit pathways across regions, participants agreed to work with other partners in the Asia-Pacific region and beyond to protect the homeland, communities, and strategic markets and maintain the integrity of the global financial system by disrupting and dismantling transnational illicit networks.

By fighting networks with networks and reducing arbitrage opportunities through the harmonization of our legal, regulatory and law enforcement frameworks, we can dismantle the criminal opportunity structure at every node. Working with NGOs, the private sector, and regional/international organisations, participants agreed to enhance efforts to reduce the demand that fuels illicit markets.

Participants also agreed to adopt a strategic approach that is critical for strengthening inter-regional platforms among key partners including: cooperation, coordination, collaboration, and capacity-building.

Participants agreed on the urgency of shutting down illicit markets, putting criminal entrepreneurs and kleptocrats out of business, and combating converging threats and networks. Achieving these goals will require effective coordination and cooperation between criminal and intelligence agencies on investigations and prosecutions; strengthening intelligence-based policing; and reducing drug use with evidence-based prevention and treatment programs.

As this Trans-Pacific law enforcement and demand reduction partnership continues to develop and expand, there is strong interest in maintaining the regional operational focus of the process and the emphasis on holistic anti-crime strategies.

Encouragement was given to participating economies to consider hosting follow-up activities under the Trans-Pacific Network in 2012 and beyond including efforts to bridge inter-regional cooperation and coordination across regions. Such activities would enable the continuation of valuable working-level discussions, enhance networking and the sharing of information, and leverage inter-regional partnerships and networks across the Pacific and the Atlantic – and other regions – and mobilize greater collective action, joint cases, and common approaches with committed international partners to combat transnational criminal threats and dismantle illicit networks.

Phuket, Thailand
October 29, 2011