

Global Organized Crime

James H. Mittelman

The New Criminality

Clearly, there is a long history of organized crime transcending national borders; however, traditional patterns explain only part of the surge of illegal activities today. Globalizing tendencies emerging since the 1970s are transforming organized crime. There are newly prominent forms of illegality, such as computer crimes, money laundering, stealing nuclear materials mainly from the former Soviet Union, and "sophisticated fraud" (technological complexity among several parties using counterfeit bank instruments, credit cards, letters of credit, computer intrusion, and ingenuity of design – such as stock market "pump and dump" scams and pyramid schemes) that crop up between the established codes of international law, challenge existing norms, infiltrate licit businesses, and extend into international finance. Although some types of crime remain localized, what drives organized crime groups increasingly are efforts to exploit the growth mechanisms of globalization.

To take a single example of these dynamics at work, consider Chinese emigration to the United States. Triads (Chinese criminal networks) have smuggled people to America since the California gold rush in the 1840s. Moreover, there is a tradition of Chinese from the coastal province of Fujian, across from Taiwan, to draw on their extended families in California and other states and to move to America. As many as 90 percent of Chinese boat people originate in Fujian and in Guangdong province immediately to the south, where the major smuggling groups are concentrated.

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The problem of the boat people – which captured public attention in 1993 when would-be Chinese immigrants died aboard the Panamanian vessel *Golden Venture*, a rusty old freighter that ran aground on a sandbar in sight of New York City – is largely rooted in China's explosive economic growth in recent years. The transition to a market economy, which in China has been likened to a runaway train, has sparked uneven gains and losses in income, with the rural areas, especially those in the interior, lagging far behind the urban centers and coastal regions. In the first phase of a classic Polanyian double movement, millions of low-income farm workers, have been pushed off the land to make way for large-scale industrial and commercial projects, triggering massive internal migration that coastal municipalities, now surrounded by burgeoning shantytowns, cannot absorb. China's labor supply is of enormous proportions – 452 million "surplus" workers, according to the Chinese Ministry of Labor. This crisis has fueled rural resentment and peasant uprisings in some parts of China, perhaps constituting an early stage of a Polanyian backlash.

A response to the poverty trap of the relative decline of incomes in the countryside and limited opportunities for finding legal employment in the cities is to break the cycle by seeking emigration "services" that meet the demand from a desperate and impoverished sector of the economy. Where poverty is severe, criminal gangs flourish. In China today, smuggling groups feed on a marginalized layer of people, substrata subject to an overheated market economy, and are globalizing their spatial domain.

The smuggling operations would not be possible, however, without the involvement of powerful and wealthy criminals, who have the resources to corrupt state officials. The corruption of political authorities is the crucible in which customs officers, police, and tax inspectors assist in criminal operations or merely look the other way. This is true of not only alien smuggling, but also drug smuggling, intellectual property counterfeiting, illegal currency transactions, and other black- and gray-market activities. In this web of criminals, the rich, and politicians, the holders of public office provide "legal" protection for their partners, as with the Golden Triangle – at the intersection of the borders of Laos, Thailand, and Myanmar – during the Cold War (an example of what Cox calls the machinations of the "covert world"). The high risk and high demand involved in these operations offer potentially large profits, creating incentives for the shrewdest and most ruthless criminal organizations to "supply" their services.

These trends are explicable in terms of the nexus of organized crime and globalization. The rise of transnational organized crime groups is spurred by technological innovations, especially advances in commercial airline travel, telecommunications, and the use of computers in business, allowing for increased mobility of people – some of them carriers of contraband – and the flow of illicit goods. Central to this process are innovations in satellite technology, fiber-optic cable, and the miniaturization of computers, all of which facilitate operations across frontiers. Hypercompetition is accelerating these cross-border flows. Deregulation, in turn, furthers this tendency, because it lowers state barriers to free flows of capital, goods, services, and labor.

Like global firms, transnational organized crime groups operate both above and below the state. Above the state, they capitalize on the globalizing tendencies of permeable borders and deregulation. Embracing the processes of globalization, these groups create demand for their services. They become actors in their own right in the

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At the same time, transnational organized crime groups operate below as well as beside the state by offering incentives to the marginalized segments of the population trying to cope with the adjustment costs of globalization. These groups reach down and out to the lower rungs of social structures – the impoverished – a substratum that does not lend itself to the easy strategies prescribed by the state and interstate institutions. These strategies are often cloaked as part of the national development project, but today are overtaken by the globalization process. The marginalized represent labor supply in the form of social forces participating in the parallel economy of organized (and unorganized) crime and *impairing the licit channels of neoliberalism*. The mode of globalization. Triads, a phenomenon noted earlier, bring this dynamic into stark relief. They originated as resistance movements battling to overthrow alien invaders who dominated the Manchu Qing Dynasty during the seventeenth century. At the end of Qing rule in 1911, these groups did not dissolve, but instead evolved into criminal societies, with some of the newest and most potent ones responding to the recurrent lack of order and social disruptions in China. Nowadays, from their main base in Hong Kong, the triads engage several “ethnic Chinese” and Thai groups linked to opium producers in Myanmar, and also deal with their affiliated gangs in cities in the United States, Western Europe, and across the Pacific Rim.

Insofar as the purpose of organized crime is to make money, these groups are typically regarded as predominantly economic actors. Their profit comes not merely from theft, but also today from emulating market mechanisms – forming strategic alliances, investing (and laundering) their capital, plowing it into new growth areas (e.g., dumping toxic wastes that abuse the environment in developing countries and then negotiating lucrative contracts for the cleanup industry), directing a share of their returns into R&D, adopting modern accounting systems, using global information networks that have no frontiers, and insuring (protecting) themselves against risks or threats to their organizations. Whereas these groups may have ostensibly economic objectives, to the extent that they undermine the main actors in the globalization process – transborder firms and dominant states that acquiesce to it – then transnational organized crime groups are both a political component of, and a response to, globalization.

Crime groups are similar to legitimate businesses in that they embrace the logic of the market, show great flexibility in initiative, and are also hierarchically structured. For example, the Hong Kong triads provide leadership, while the commercial *tongs* (merchants’ guilds), many of them based in Chinatowns, act as local subsidiaries. Enhanced by *guanxi* (connections) in Eastern Asia, which has its counterpart in other cultures, this fluidity suggests that organized crime can also be disorganized.

Although some crime groups, such as the Cali cartels in Colombia, are highly centralized, they typically draw on loose networks of familial and ethnic relations. These networks reduce the transaction costs of acquiring information about illegal activities and provide a framework of trust. Hence, operating where there are neither clear rules nor laws, new entrants such as Nigerian organizations, which first joined the ranks of major transnational crime groups in the 1980s, arise. They have relied on

family and ethnic ties in the diaspora, developing links between domestic bases and compatriots abroad. The 1980s drop in oil prices and cuts in government spending precipitated a crime wave in Nigeria and left numerous Nigerian students stranded overseas when their funding was terminated, turning many of them to fraudulent activities.

So, too, transnational organized crime groups heighten uncertainty, contributing to a larger trend of what James Rosenau conceptualizes as turbulence in the global political economy. New hubs of global organized crime – with Johannesburg and Cape Town linked to the Nigerian chain and rapidly emerging as regional centers – are key nodes in these networks. In fact, Nigerians – no longer parvenus in their profession – have penetrated the entire subregion of Southern Africa, and are involved in heroin and cocaine trafficking, various types of fraud, car theft, alien smuggling (aided by illegals who work as couriers), and gang activities, prompting US officials to refuse to train Nigerian police and central bankers because antifraud instruction is deemed only to increase the sophistication of Nigerian criminals. Now, the Nigerian trafficking groups fan out beyond Africa and have become major actors in drug smuggling in Southeast and Southwest Asia, with increasing involvement in Latin America as well.

Global cities, more than states, are the main loci of transnational criminal organizations. Some cities – such as Hong Kong and Istanbul – have formed a second tier and serve as transshipment points. However, it is global cities – especially New York, London, and Tokyo – that offer agglomerations of financial services (which provide vast opportunities for disguising the use and flow of money), sources of technological innovation, and advanced communications and transportation systems. In these locales and elsewhere, a new breed of cybercriminals can exploit inherent vulnerabilities in the electronic infrastructure of global finance through computer intrusions for the purposes of theft, blackmail, and extortion. Given the vast scope of the Internet, cybergangs can assault a global city from virtually anywhere and remain anonymous, thus crippling the capacity of the state to apprehend and prosecute perpetrators. Yet these cities are epicenters of globalization.

Home to large, diverse populations, global cities allow criminals, and even entire criminal organizations, to blend into legitimate institutions in ethnic neighborhoods. These shelters pose a problem for the police insofar as they do not know the many languages and diasporic cultures harboring criminals or are not trusted by segments of society outside the mainstream. Nigerian criminal gangs in London and Asian criminal gangs in New York are among those able to exploit these advantages, which is testimony to the embeddedness of transnational organized crime in neoliberal economic globalization.

Criminalization and the Rise of the State as a Courtesan

The state is most often understood in the Weberian sense of exercising a monopoly over the legitimate use of force. Building on this foundation, pluralists have regarded the state as an arbiter, a neutral referee, among different interests in society. In this

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tradition, pluralists hark back to *The Federalist Papers*, whose authors – John Jay, Alexander Hamilton, and James Madison – developed the idea that the role of the state is to balance and restrain the passions of its citizens. More recently, political scientists from David Easton to present-day writers have built a concept of the state based on the notion that its major function is the authoritative allocation of values. The role of the public sphere as an allocator of material values is a theme pursued by both conventionally and critically minded social scientists.

Although the foregoing notation about a complex literature is but a conceptual benchmark, one need not explore the subtleties of theories of the state more fully to demonstrate that the globalization of organized crime weakens the very basis of government and constrains its capacity. On the one hand, criminal elements do not seek to take over the state; they are obviously not revolutionary movements seeking to seize its apparatuses. On the other hand, transnational and subnational criminal groups contest the rationale of the state, especially in terms of its legitimate control over violence and the maintenance of justice. These groups are central to the recurrent problem in what Joel Migdal terms maintaining “state social control”: “the successful subordination of people’s own inclinations of social behavior or behavior sought by other social organizations in favor of the behavior prescribed by state rules.” To be sure, criminal groups are alternative social organizations that, in some respects, challenge the power and authority of the state to impose its standards, codified as law. These groups constitute an alternative system by offering commerce and banking in black and gray markets that operate outside the regulatory framework of the state; buying, selling, and distributing controlled or prohibited commodities, such as narcotics; providing swift and usually discreet dispute resolution and debt collection without resorting to the courts; creating and maintaining cartels when state laws proscribe them; and arranging security for the so-called protection of businesses, as well as sheltering them from competitors, the state, and rival criminals.

Adding to the concentration of unaccountable power amassing with economic globalization, organized crime groups are tapping into a global system of arms trade, as well as raising and channeling immense amounts of money for this purpose. Insurgents in different regions rely increasingly on organized crime groups, and their armed forces are now intermingled with Serbs, Croats, and other soldiers of fortune, demobilized at home and seeking new employment opportunities. In a twist, parasitic states such as Mobutu’s Zaire (today, Kabila’s Democratic Republic of Congo, challenged at home by rebel forces), like their opponents, have drawn on former police officers and a flourishing business of mercenaries with their own corporate organizations, recruiting networks, and journals. (Among the companies selling arms and other forms of military assistance are Sandline International in the United Kingdom; Military Professional Resources Inc. of Alexandria, Virginia; and Executive Outcomes of South Africa, which had two thousand contract soldiers on call and its own fleet of aircraft until the post-apartheid government passed antimerenary laws in 1998). By hiring these people for protection, some states are privatizing portions of enforcement and defense. Although ex-police officers and mercenaries themselves may not be criminals, their involvement in regional conflicts accentuates the tendency whereby growing connections between the state and organized crime give rise to more state-sanctioned violence.

Many instances of war and conflict mask transnational organized crime. While the media have, by and large, one-sidedly portrayed Somalia's conflict as warfare among clans causing the collapse of the state, surely cross-border drug trafficking in khat (leaves from a shrub, used as a narcotic when chewed) is a major element in that poverty-stricken country's deadly competition over resources. Similarly, in Lebanon, Sri Lanka, Pakistan, and other locales, much of the fighting ostensibly over religious differences and ethnic loyalties is also about drug trafficking, a source of enormous revenues. Put differently, the violence and urban anarchy in these countries typically melds unlawful, organized arms and drug trafficking, and religious and ethnic cleavages.

Heavily laden with the trappings of force, circumscribed but not disempowered, the state is less autonomous, with diminished ability to control borders. Not only is the state porous in terms of flows of knowledge and information, but also, increasingly, transnational criminal elements are entrants. In the face of such cross-border flows, the traditional notion of jurisdiction based on territoriality is progressively brought into question. New forms of criminality infringe on the principle of sovereignty, the centerpiece of the Westphalian interstate system. [...]