



The Paul H. Nitze School
of Advanced International Studies

1717 Massachusetts Avenue NW
Washington, DC 20036
202.663.5880 / 202.663.5879 fax
<http://transatlantic.sais-jhu.edu>

Center for Transatlantic Relations



November 2014

Global Flow Security Working Papers

Chapter 9

The Global Illicit Economy 2030

Peter Andreas¹

This chapter offers some brief, speculative, and wide-ranging thoughts on what the world of illicit flows might look like in 2030. By definition this exercise in crystal ball gazing is tentative and cautious. Bold, sweeping predictions beyond confidently asserting that the world of illicit flows will remain alive and well would be foolish. Nevertheless, it is worthwhile to try to think ahead to where we might be in the coming years based on past and present patterns and trajectories.

Global illicit flows can simply be defined as the clandestine cross-border economic exchange of people, goods, money, and information unauthorized by the sending or receiving country. Typically this means flows that are prohibited (such as drugs and endangered species), regulated (such as cigarettes, arms, people), stolen (such as art, antiquities, and intellectual property), or counterfeit (such as prescription drugs or currency). Together, these flows reflect the illicit “underside” of globalization and the global economy. It is reasonable to conclude that in the next decade and a half or so we are not likely to see some sort of fundamental shift in the illicit global economy. Instead, we can expect to see both significant continuity and change, with considerable variation across places and flows.

This is a more cautious and nuanced account of the future of global illicit flows than the “doom and gloom” alarmism that dominates much of the policy debate.² The Washington pundit Moises Naim, for example, has recently sounded the alarm bells about the proliferation of what he labels “mafia states” that make it their business to promote and profit from global illicit flows, and even

¹ Professor in Brown University's Department of Political Science, and a professor of international studies at the university's Watson Institute.

² See especially, Moises Naim, *Illicit: How Smugglers, Traffickers, and Copycats are Hijacking the Global Economy*. More recently, see Michael Miklaucic and Jacqueline Brewer, eds. *Convergence: Illicit Networks and National Security in the Age of Globalization* (National Defense University Press, Washington, DC, 2013).

warns of the possible emergence of nuclear mafia states.³ Transnational crime expert Phil Williams projects that the 21st century will be defined by a continuing weakening of states in which illicit non-state actors and activities spread in an increasingly violent, lawless, and out of control world. For Williams, a gathering storm of illicit flows that may turn into the “perfect storm” is a dark and dangerous future characterized by chaos and disorder.⁴

These scary accounts tend to see almost everything as fundamentally new and unprecedented. The actual newness of the trend is typically asserted rather than empirically demonstrated.⁵ History tends to be bracketed rather engaged to generate comparative insight and analytical leverage.

Rather than pointing to trends that all lead in one direction—a more lawless and illicit-flows saturated world—I suggest that a more realistic and complex picture of the near future takes into consideration countertrends and ambiguous trends. The trends, I argue, are often double-edged, both encouraging and inhibiting global illicit flows of various sorts. Instead of expecting some sort of fundamental shift in global illicit flows in the coming decade and a half (as part of what Tomas Ries provocatively calls the larger “paradigm shift of the human condition”⁶), the main lesson of history is that we are far more likely to simply experience the latest chapter in an age-old story of continuity and change.

I am certainly not suggesting that the problem of global illicit flows is not serious, and may even worsen, especially in some parts of the world. It will likely continue to be a defining source of tension between developed and less developed regions (such as the EU in relation to its immediate neighbors to the east and south, and the United States in relation to its southern neighbors). Illicit flows may become more and more difficult to “weed out” of the growing volume of flows that define the process of globalization. But we should take a deep breath and resist hyperventilating—especially when such hyperventilating can lead to knee-jerk policy responses that may do more harm than good and may even contribute to the very problem they are supposed to solve. The sky is not falling. The global economy is not being hijacked by the illicit dark side of globalization and is unlikely to be in the foreseeable future (and indeed, as the 2008 financial crisis powerfully demonstrated, the bigger threat may ultimately come from perfectly legitimate actors behaving irresponsibly even if not necessarily illegally⁷). Moreover, even if there is an overall increase in illicit flows, this does not necessarily mean they will be

³ Moises Naim, “Mafia States,” *Foreign Affairs* (May/June 2012), and Andreas/Naim exchange, “Measuring the Mafia State Menace,” *Foreign Affairs* (July/August 2012).

⁴ Phil Williams, “Lawlessness and Disorder: An Emerging Paradigm for the 21st Century,” in Michael Miklaucic and Jacqueline Brewer, eds., *Convergence: Illicit Networks and National Security in the Age of Globalization* (Washington, DC: National Defense University Press, 2013).

⁵ It should be recognized that the aggregate data available is of such poor quality (given the hidden nature of illicit flows) that it is often of questionable utility, though this does not stop some analysts from making confident sweeping claims. For a discussion, see Peter Andreas, “The Politics of Measuring Illicit Flows and Policy Effectiveness,” in Peter Andreas and Kelly M. Greenhill, eds. *Sex, Drugs, and Body Counts: The Politics of Numbers in Global Crime and Conflict* (Cornell University Press, 2010).

⁶ See Tomas Ries' chapter in this volume.

⁷ The fact that much of such behavior remains legal reflects corporate lobbying power to avoid greater regulation rather than the severity of social consequences. Nikos Passas and Neva Goodwin, eds. *It's Legal but it Ain't Right: Harmful Social Consequences of Legal Industries* (University of Michigan Press, Ann Arbor, 2005).

increasingly global, let alone be controlled by global organized crime. Indeed, some illicit flows may become both more domestic and less organized.

In the first section of this chapter I look at some of the leading megatrends and their implications for illicit flows. I then examine the case of the illicit drugs—considered the leading “sector” of the illicit global economy. The connection between illicit flows and armed conflict is then briefly evaluated. Finally I discuss the implications of U.S. decline for international crime control efforts, given that Washington has been the world’s leading policeman fighting illicit flows such as drug trafficking and money laundering.

How do Global Megatrends Impact Global Flows?

The standard approach to projecting future developments is to identify key “megatrends” – as evident in the November 2012 *Global Trends 2030: Alternative Worlds* report from the National Intelligence Council. Although these type of reports typically do not focus much on global illicit flows, we can certainly try to extend the analysis to include this. For instance, the *NIC Report* points to the growth of middle classes in the developing world that could add as many as two billion consumers – which has all sorts of implications for accessing raw materials and for the production and trade in manufactured goods. Many of these consumers, of course, will no doubt also be consumers of illicit flows (ranging from drugs to counterfeit goods).

The *NIC Report* also points to the importance of growing migration. The demand for both skilled and unskilled labor is expected to increase in the coming years – and if legal channels are not sufficient to satisfy this demand it is reasonable to predict that illicit channels will continue to provide an attractive substitute (and in the process continue to enrich migrant smuggling organizations). The extraordinary political difficulty in making progress on comprehensive immigration reform in the United States to date suggests that the illicit channel option will likely remain an important alternative mechanism to meet labor needs – which can be expected to grow as the U.S. economy continues to recover.

Unauthorized labor flows between developing countries – already a serious issue but too often overlooked—may also accelerate further.⁸ China, for instance, has also started to have its own illegal immigration problem (such as from North Korea), and this can be expected to grow as well. Climate change may further fuel a distinct and growing form of unauthorized migrants – “environmental refugees” – who flee from the most stricken areas but are not welcomed by receiving countries as legitimate refugees.

The growth of middle classes in the developing world that could add as many as two billion consumers—which has all sorts of implications for accessing raw materials and for the production and trade in manufactured goods. Many of these consumers, of course, will no doubt also be consumers of illicit flows (ranging from drugs to counterfeit goods). Urbanization is also expected to increase substantially by 2030. Already some half of the world’s population lives in an urban area, and this is expected to grow to nearly sixty percent by 2030. The UN estimates

⁸ See especially Kamal Sadiq, *Paper Citizens: How Illegal Immigrants Acquire Citizenship in Developing Countries* (Oxford University Press, 2008).

that by 2030 the urban population in China will grow by 276 million and in India by 218 million – accounting for more than a third of the total projected increase in the world’s urban population. Bangladesh, Brazil, the Democratic Republic of Congo, Indonesia, Mexico, Nigeria, Pakistan, the Philippines, and the United States are also expected to experience major urban growth spurts. As has long been the case, urbanization and criminality often go hand in hand – and this includes criminality related to illicit flows such as drugs, unauthorized migration, and sex workers. Based on past patterns, it is therefore not difficult to predict a continued close connection between urbanization and the proliferation of illicit flows.

The development and spread of new technologies, especially information technologies, is often identified as having a particularly profound impact on future trends. But again, this is hardly new, and should be thought of as simply the latest chapter in a very old story – including in the world of illicit flows. The revolutions in transportation and communication associated with globalization have been a major source of change for both licit and illicit flows, and there is every reason to expect this to continue to be the case in the years to come. President Barack Obama noted in July 2011, “During the past fifteen years, technological innovation and globalization have proven to be an overwhelming force for good. However, transnational criminal organizations have taken advantage of our increasingly interconnected world to expand their illicit enterprises.”

There is much truth in this statement. But as important as new technologies have been and will continue to be, it would be difficult to argue that these new technologies have had a more profound impact than earlier technologies – such as the rise of transoceanic commerce, the development of the telegraph, and the proliferation of train travel and the invention of the automobile all long before globalization became a buzzword. In other words, new technologies do matter, often profoundly, but this is also an old story that dates back not just years and decades but centuries.

Law enforcement authorities have long grumbled about how new technologies advantage criminals – and this is certain to be a continued source of frustration. But less noticed is that law enforcement has long been a major beneficiary of technological change – consider, for instance, how much the invention of photography and fingerprinting enabled criminal investigations and the development of government-issued identification documents. The invention of the telephone aided not only criminals but also cops – including the use of wiretapping as a crucial tool in undercover investigations.

Thus, if the past is any guide to the future, new technologies will continue to be exploited to facilitate the movement of illicit flows but also by government authorities tasked to deter and disrupt such flows. Consider, for example, the development and proliferation of unmanned aerial vehicles (UAVs), otherwise known as drones. Future commercial applications of drones – such as proposed by Amazon (“Amazon Air Prime”) for extra fast delivery of packages⁹ – can also presumably be exploited for domestic and international illicit commerce, including for both surveillance of law enforcement and for unmanned GPS-guided aerial delivery of illicit goods. At the same time, drones will no doubt become an increasingly popular tool for policing and

⁹ Steve Banker, “Amazon and Drones—Here Is Why It Will Work,” *Forbes*, December 19, 2013.

surveillance of illicit flows—as is already the case along the U.S.-Mexico border—though there has been growing popular resistance to domestic drone use due to privacy concerns in some places.

New technologies will continue to increase government capacity to track and police the cross-border flow of people, cargo, money, and information. We are likely to especially see this in the further development of tamper-resistant travel documents and “smart” IDs with biometric identifiers (such as digital fingerprints and facial and retinal scans), the creation of more expansive and sophisticated databases for “data mining,” and the proliferation of high tech cargo tracking, monitoring, and inspection devices. Cargo inspections traditionally done at ports of entry will continue to be pushed outward through prescreening and preclearance, facilitated by the development of “smart containers” and the use of new cargo tagging and tracking devices.

These technological developments will not only continue to enhance the policing of illicit cross-border flows but also contribute to (and necessitate) the continued growth of international policing cooperation, most developed in Europe and in U.S.-EU relations. As in the past, increased policing cooperation can also bring with it increased friction between governments over policing agendas, methods, and strategies – as evident in U.S.-EU tensions over data privacy. More generally, efforts to “push borders outward” create pressures on other countries to facilitate pre-inspection and pre-screening.

Technology has so far enabled governments stay one step ahead of currency counterfeiters. Currency counterfeiting will remain a serious problem in the years ahead, but is likely to pale in comparison to the much more rampant counterfeiting in earlier eras (most notably 19th century America).

We can especially expect to see a rapid growth of both cybercrime and cyberpolicing in coming years. Policing cyberspace will continue to develop as a new frontier of law enforcement that coexists and intermingles with traditional terrestrial policing. This will no doubt also continue to provoke intense political battles and concern over privacy and civil liberties issues, both domestically and internationally.

In some cases, scientific and technological breakthroughs may not only facilitate illicit trade but create entirely new types of illicit trade. New scientific advances may enable DNA theft and illicit cloning in the not-too-distant future—but this can also be expected to open up new forms of policing through more advanced genetic testing and tracing. The black market for human organs, especially kidneys, can be expected to keep growing in the immediate term thanks to growing access to the advances in organ transplant procedures. Yet we should keep in mind that future scientific advances in the development of artificial organs could greatly reduce black market demand. The emergence of 3D printing, for instance, even includes “bioprinting” that is expected to produce human organs.¹⁰

At the same time, as 3D printing improves and becomes less expensive and more accessible, it will have all sorts of troubling illicit applications, such as the production of plastic guns that can

¹⁰ Sophie Novack, “The Next Frontier for 3-D Printing: Human Organs,” *National Journal*, December 27, 2013.

evade airport metal detectors—not to mention production and distribution of illicit conventional guns.¹¹ Printing items that violate intellectual property laws also has enormous legal and financial consequences, ranging from fake fashion to fake pharmaceuticals.¹² The quality of cheap counterfeit goods, which is already often quite high, will likely get much better and much cheaper.

But the most important repercussion of 3D printing for illicit flows may be much greater domestication – after all, why illicitly import something that one can replicate on a 3D printer at home? This may mean that even as the overall quantity, quality, and range of illicit flows could increase in the future through 3D printing, *global* illicit flows – flows that cross borders – may actually decrease. And one crucial consequence of this may be to reduce the role of transnational criminal organizations in the provision of illicit goods. In other words, illicit flows may proliferate, but transnational organized crime may not – and may even shrink. This is certainly a positive development even if the consumption of illicit flows may increase.

Although the full repercussions of the development and spread of 3D printing on the world of illicit flows remains to be seen, we can certainly predict the coming of a “war on 3D printing” by law enforcement targeting its illegal applications. And 3D printing can also be expected to aid law enforcement – as already evident in the forensic use of this new technology, such as replicating crime scenes.¹³ The importance of new scientific and technological developments in shaping future illicit flows may be nowhere more evident than in the illicit drug trade, which is discussed in detail below.

Case study: Illicit drugs

Although extremely difficult to measure (and questionable quantitative claims are often made without reliable evidence¹⁴), there is widespread agreement that illicit drugs are the single largest and most profitable “sector” of the illicit global economy – and therefore highlighted in this discussion.

It is safe to predict that the current trend toward the development and availability of a wide range of new synthetic substances will continue to accelerate – and that these will increasingly compete with and substitute for natural-based drugs such as heroin and cocaine. We are already seeing this in the meth trade, but could become more generalized. As part of the move toward synthetics we can also expect a continuation of the trend toward greater abuse and black market diversion of prescription pills (already a serious and growing problem with drugs such as Adderall and Oxycontin) – greatly facilitated by the Internet and the proliferation of online pharmacies.¹⁵

¹¹ Steven Kotler, “Vice Wars: How 3-D Printing Will Revolutionize Crime,” *Forbes*, July 31, 2012.

¹² Dennis Draeger, “3-D Printing’s radical new world,” *Salon*, May 16, 2012.

¹³ Eugene Liscio, “Forensic Uses of 3D Printing,” *Forensic Magazine*, June 4, 2013.

¹⁴ For a discussion, see Peter Andreas, “The Politics of Measuring Illicit Flows and Policy Effectiveness,” in Peter Andreas and Kelly Greenhill, eds. *Sex, Drugs, and Body Counts: The Politics of Numbers in Global Crime and Conflict* (Ithaca: Cornell University Press, 2010).

¹⁵ See especially Mike Power, *Drugs 2.0: The Web Revolution that’s Changing How the World Gets High* (Portobello Books, 2013).

Along with the shift in types of drugs consumed we can also expect some shifts in the location of drug consumption. Europe has in recent decades emerged as a cocaine market nearly as large as the U.S. market, though has recently stabilized and even fallen slightly.¹⁶ With the U.S. market saturated and cocaine prices higher in Europe, it is no surprise that cocaine trafficking organizations have since the 1990s shifted some of their focus to the European market.

Much has been made of the use of West Africa as a cocaine transshipment point to Europe, including shipments from Brazil to Nigeria, provoking alarm and anxiety in some policy circles. However, this response seems to have been overblown and overly alarmist. The problem is certainly serious, but it should be noted that the West Africa route appears to have significantly declined in importance in recent years¹⁷ - and there is little to suggest that this will change greatly in the coming years. Traffickers have long exploited a diversity of routes into Europe by land, sea, and air, and there is no reason to believe this will not continue to be the case. For Latin American cocaine traffickers, this includes continuing to use Spain as a logical access point to the European market using a wide range of conveyances and transportation methods, but also includes expanded use of other transshipment routes such as through Bulgaria and the Western Balkans.¹⁸

But while United States and Europe will remain core illicit drug markets, the real growth markets may be places such as Brazil and especially China. Brazil is already estimated to be the world's second largest consumer of cocaine (behind the United States). With China expected to become the world's single largest economy a few years before 2030, we can also expect China's parallel emergence as the world largest illicit economy – including in the drug trade. China is already a major producer of counterfeit drugs. However, China's emergence as both a leading consumer and exporter of synthetic drugs may prove far more consequential. It is important to recall that in the mid-19th century China was under siege by western opium pushers (with the power of the British East India Company dwarfing that of any so-called “drug cartel” today), and China's efforts to shut them out resulted in the opium wars. Now we may see a very different dynamic, in which China is a major consumer country and a major source country – but in black market synthetic drugs.

Even as we can expect the spread of synthetic illicit drugs to accelerate, a countertrend may be the decline of the illicit marijuana (cannabis) trade if current moves toward decriminalization and legalization continue. This is particularly striking in the United States, where several states (Colorado and Washington) have recently legalized marijuana for recreational purposes, and other states may soon follow. With the United States as the most important player in creating and sustaining the global drug prohibition regime, the challenge to marijuana prohibition from within may have powerful regional and global ripple effects. After all, how can the United States continue to pressure and insist that other countries crackdown on the marijuana trade when it is turning a blind eye to legalization initiatives within its own borders? Uruguay has been the first Latin American country to legalize marijuana, but far more consequential would be for producer

¹⁶ *World Drug Report* (UN Office on Drugs and Crime, 2011).

¹⁷ See especially *World Drug Report* (UN Office on Drugs and Crime, 2013).

¹⁸ On the dynamics of transshipment in general, see especially H. Richard Friman, “Just Passing Through: Transit States and the Dynamics of Illicit Transshipment,” *Transnational Organized Crime*, Vol. 1, No. 1 (1995): 65-83.

countries such as Mexico and Colombia to also do so. Extended globally, this could eventually take cannabis mostly out of the realm of illicit flows and into the realm of licit flows such as tobacco. Are legal exports of Moroccan hashish to Europe all that unrealistic in the medium term (if not near future)? Or legal high-quality “boutique” cannabis exports from the Netherlands to the rest of Europe?

We are already seeing a growing domestication of the marijuana trade in the United States – the world’s largest market. Domestic growers already have distinct competitive advantage over foreign illicit suppliers. Tighter border interdiction will continue to serve as an unintended form of “pot protectionism” (since marijuana is a bulky and smelly product it is the easiest drug to interdict and indeed the vast majority of border drug busts involve marijuana seizures). More intensive interdiction in coming years would only reinforce this. With highly uneven domestic marijuana laws, some states such as Colorado and Washington are likely to become major black market exporters to other states across the country. In other words, the illicit marijuana trade persists, but with domestic supply increasingly outweighing foreign imports.

Domestication could also extend to other drugs. The development of new synthetics, including potentially synthetic cocaine, could reduce imports if the barriers to entry for producers and the law enforcement-induced risks are sufficiently low. Of course, we may also simply see a repetition of the methamphetamine story, in which law enforcement pressure within the United States has pushed much of the production across the border to Mexico. In that case, we would simply have yet another illustration of history repeating itself.

At the same time as we may see the continued decriminalization and even legalization of marijuana, it is not so far-fetched to speculate that tobacco may become more criminalized than it is today. The consumption of tobacco is the single greatest cause of preventable deaths in dozens of countries. It is indisputably linked to the premature deaths of millions of people every year. Norms with respect to tobacco consumption, especially in public, have changed rapidly in some countries in recent years. We can well imagine that some countries will choose to ban production and sale of tobacco and therefore propagate their prohibitions to others, and that anti-tobacco activists will lobby for a global prohibition regime. Whether these efforts will follow on the footsteps of the stillborn alcohol prohibition regime promoted by the United States in the 1920s or be incorporated into the larger drug prohibition regime is hard to say.

Just as there will be a continued shift in the types of drug consumed and in who is consuming the drugs, we can also project shifts in the transportation methods used to reach drug markets. Take the case of the United States. Currently the U.S.-Mexico border is the main entry point for illicitly imported drugs. It is partly due to efforts by traffickers to control entry to this market – amidst government crackdowns – that has fueled such high levels of drug violence in Mexico. We can speculate that the drug violence that has overwhelmed Mexico in recent years will eventually subside but without a substantial reduction in the flow of drugs to the United States. One possibility is a partial shift in trafficking routes back to the Caribbean – but via growing use of GPS-guided submersibles and semisubmersibles.

This is an alarming development from a national security perspective, since such delivery mechanisms can also deliver other things (including terrorists and weapons of mass destruction).

But this is actually a positive trend from the perspective of reducing drug corruption and limiting the collateral damage of the drug trade along transshipment routes. After all, the more removed the illegal drug trade is from legal commerce, population centers, and transportation channels the better. For example, many Central American countries, such as Honduras, are battered and overwhelmed by being transshipment points for the flood of South American cocaine bound for the U.S. market. This would be a change for the better if the trade were pushed out to sea (and even under the sea). Of course, if the use of submersibles and semisubmersibles really takes off (we are still at a fairly early stage), perhaps this will provide a rationale to adapt and deploy the U.S. Navy's latest submarine detection technologies for counter-narcotics purposes.

To date, these submersibles and semisubmersibles have typically required a small crew, but one can easily imagine the development of unmanned remotely controlled vehicles, not only by sea but also by air. For instance, as previously noted, the current government monopoly over drone technology can be expected to loosen in the coming years – and drones have the potential to not only provide surveillance and targeted strikes but also carry high-value illicit cargos such as drugs.

We are also already witnessing important shifts in how illegal drugs are purchased and distributed to consumers. Internet pharmacies have already eased illegal access to prescription drugs such as Oxycontin, but the Internet also facilitates distribution of illicit drugs such as cocaine and ecstasy—most strikingly evident in the case of Silk Road, an online black market that started in 2011 using Bitcoin as digital currency and the anonymity tool Tor to protect user identities. Some have dubbed the site the “Amazon of illegal drugs.” Although Silk Road was shut down by the FBI in October 2013, and its founder, Ross William Ulbricht, has been arrested on drug trafficking charges, a month later there were reports that Silk Road 2.0 was already online and administered by a new manager.¹⁹

Yet the sustainability of sites like Silk Road is unclear. Silk Road was just one of a number of sites that suddenly shut down, including BlackMarket Reloaded, shaking consumer confidence. And while online anonymity provides some protection, anonymity can also be exploited by law enforcement – including by setting up sites that are actually sting operations.

Moreover, the viability of Bitcoin, which has provided the crypto-currency for Silk Road and other online black market exchanges, remains highly uncertain. Bitcoin transactions leave digital breadcrumbs that can expose users who do not know how to cover their trail. The most convenient ways of using Bitcoin are also the most traceable. And Bitcoin services like Coinbase are subpoenaable.²⁰ Furthermore, law enforcement crackdowns have started to target leading players in the Bitcoin universe. For example, Charles Shrem was arrested in January 2014 on charges of helping people convert money into virtual currency for the purpose of buying illegal drugs. Shrem was chief executive of a popular website set up to convert dollars into Bitcoins. He

¹⁹ Andy Greenberg, “‘Silk Road 2.0’ Launches, Promising a Resurrected Black Market for the Dark Web,” *Forbes*, November 6, 2013.

²⁰ Andy Greenberg, “Follow the Bitcoins: How We Got Busted Buying Drugs on Silk Road’s Black Market,” *Fortune* September 5, 2013.

was also on the board of the Bitcoin Foundation, a nonprofit created to educate the public about digital money.²¹

The international drug trade may also be shaken up by new technological breakthroughs in production methods. Most notable in this regard is the potential revolutionary impact of 3D printing. As 3D printing improves and becomes cheaper and more accessible, drug production could become much more democratized and local—and therefore less and less in the hands of international drug trafficking organizations. The same may be true of prescription drugs.²² In other words, in the not too distant future, consumers may be able to download and print both their meds and their recreational drugs. For the illicit drug trade, this would greatly facilitate consumer access—but with the upside of also greatly reducing the transnational organized crime and violence associated with the trade. Supply-side drug control efforts would become even less effective than they already are, leading to more pressure to focus on the demand side of the problem.

In this regard, it should be noted that even as new drugs, new drug markets, new drug routes, and new drug transportation and production methods can be expected to proliferate, scientists are reportedly working on an “addiction vaccine” which could greatly curtail both licit and illicit drug flows. And even if this proves illusive, scientists will likely continue to unlock the mysteries of addiction in ways that could greatly improve treatment.

The illicit flows and conflict connection

A great deal of scholarly and policy attention has been given in recent years to the relationship between illicit flows and armed conflict, leading some to speculate that this will increasingly become a defining feature of warfare in the 21st century.²³ Much of the focus has been on how violent non-state actors, ranging from insurgents to terrorists, have exploited profitable illicit flows to fund and sustain rebellion.

It is commonly asserted that this is a distinctly post-Cold War phenomenon – even a defining characteristic of so-called “new wars.”²⁴ A frequent argument, for example, is that in the absence of formal external sponsorship from the United States and the former Soviet Union, insurgents have increasingly turned to alternative forms of material support. This includes illicit exports dubbed “conflict commodities,” such as drugs, timber, ivory, diamonds, and so on. Thus, partly thanks to the campaigns of international NGOs such as Global Witness, diamonds from conflict zones in West Africa have been labeled “blood diamonds.” Illegal drugs such as opium and cocaine have come to be particularly associated with armed conflict, given their role in ongoing insurgencies in Colombia and Afghanistan.

²¹ Nathaniel Popper, “Bitcoin Figure is Accused of Conspiring to Launder Money,” *New York Times*, January 27, 2014.

²² Tim Adams, “The ‘Chemputer’ that could print out any drug,” *The Observer* July 21, 2012; “3D Printers for Prescription Drugs Could be in Homes Within 20 Years,” *Huffington Post*, April 24, 2012.

²³ See, for example, Vanda Felbab-Brown, “Crime-War Battlefields,” *Survival*, June-July 2013; and John P. Sullivan, “Future Conflict: Criminal Insurgencies, Gangs, and Intelligence,” *Small Wars Journal*, 31, May 2009.

²⁴ See Mary Kaldor, *New and Old Wars: Organized Violence in a Global Era* (Stanford University Press, 3rd ed. 2012).

Much of the attention to the illicit political economy dimensions of conflict is welcome and long overdue – all armed conflicts, after all, have a political economy, and this includes an illicit side. Too often, however, the end result of this new attention has been to distort and exaggerate more than to explain and inform. And one must always ask, what is fundamentally new here? The contemporary novelty of the illicit flows and conflict connection is too often simply stated rather than empirically proven.

We need look no further than the American historical experience to show that illicit flows have been an essential ingredient in conflict not just for decades but centuries. Indeed, illicit flows profoundly shaped the nature, duration, and outcome of the country's early military engagements. In the case of the War of Independence, illicit flows of arms successfully supplied the rebellion. In the case of the War of 1812, illicit trade in the form of “trading with the enemy” extended the conflict, helped to turn it into a stalemate, and subverted U.S. efforts to annex Canada. In the case of the Civil War, illicit cotton exports via blockade running helped to prolong the conflict, allowing the Confederacy to persist far longer than would otherwise have been the case. No contemporary “conflict commodity” has been more important in sustaining a conflict than was the case of cotton in the American Civil War. We could even call it “blood cotton.”²⁵

Based on past and present trends, it is safe to assume that illicit flows will continue to be deeply complicit in many future conflicts, especially in some resource-rich parts of the developing world. At the same time, there is no reason to assume that their importance will actually increase. Moreover, it is important to keep in mind that, contrary to popular impression, the overall global trend in recent decades has been toward fewer and less deadly armed conflicts.²⁶ Of course, this does not necessarily mean that this trajectory will continue, and there are all sorts of reasons—environmental, economic, and political – to expect armed conflict, especially within countries, to persist even if it doesn't necessarily increase. Here, the distinction between crime and war, and between soldiering and crime fighting, may be blurry.

U.S. policing power and hegemonic decline

Along with being a military and economic superpower the United States is a policing superpower. No other country has been as globally aggressive in policing illicit flows in recent decades. Foreign governments have reacted to U.S. pressures, inducements, and examples by creating new criminal laws targeting drug trafficking, money laundering, and organized crime and by reforming financial secrecy laws as well as their codes of criminal procedure to better conform to U.S. legal needs.

As we look towards 2030, the question is how long U.S. policing hegemony will last and who will emerge as the most likely challengers in the coming years. In other words, when will the

²⁵ For a more detailed account, see Peter Andreas, *Smuggler Nation: How Illicit Trade Made America* (Oxford University Press, New York, 2013).

²⁶ Joshua Goldstein, *Winning the War on War: The Decline of Armed Conflict Worldwide* (Dutton: 2011). For an earlier account, see John Mueller, *The Remnants of War* (Cornell University Press, 2004).

fingerprints of U.S. negotiators fade in the creation of international agreements, and the footprints of U.S. law enforcement officials overseas become less pronounced? The EU may be a viable challenger in some international law enforcement arenas, especially if member states can strategically behave as a collective bloc. But for the most part, EU efforts are likely to complement more than challenge U.S. policing hegemony. At least in the short term, we can expect that the U.S.-European law enforcement relationship will continue to be based on a mixture of competition and collusion, reflecting an uneasy combination of political tension and regional divergence amid broader policy convergence and cooperation at the global level in policing the illicit flow of people, goods, and money.

Based on past historical patterns and trajectories, we can expect that as power centers shift, so too will international crime control priorities and practices. The diffusion of power away from the United States is likely to have important consequences for policing illicit flows as policing preferences become more varied, priorities change, and coordination becomes more cumbersome. In this regard, the rise of China and other potential regional challenges in coming years may erode the hegemony of U.S.-sponsored international crime control initiatives and approaches. For instance, China is likely to continue to place far greater emphasis on policing the Internet to enforce strict censorship laws (aided by security tools, firewalls, and information provided by U.S. companies) rather than enforcing intellectual property rights laws. This, in turn, may become a growing source of international friction as China flexes its policing muscle and uses market access as a powerful leverage to pressure foreign governments and companies to cooperate in carrying out its own law enforcement agenda.

At the same time, U.S. policing influence may outlast its waning power. Some U.S.-backed international initiatives, such as the anti-money laundering efforts of the Financial Action Task Force, have taken on a life of their own and generated their own momentum. Major international agreements that the United States played an instrumental role in creating have built on and reinforced each other and provided models for future agreements. For example, the Palermo Convention Against Transnational Organized Crime very much built on the Vienna Convention Against Illicit Traffic in Narcotics and Psychotropic Substances, and the more recent UN Convention Against Corruption, in turn, has built on the Palermo Convention. If this pattern continues, we can expect future multilateral crime control agreements to at least partly borrow from these earlier models regardless of the level of U.S.-sponsorship and influence.

Finally, it is worth noting that U.S. decline may also mean the decline of the U.S. dollar as the currency of choice not only in the licit global economy but also the illicit global economy. The future of the dollar is of crucial importance for the architecture of both licit and illicit financial flows. This could include a shift in the principal focal points of world finance away from New York, London and Frankfurt. But regardless of U.S. decline, it would not be surprising to see continued pressure on tax havens due to the fiscal crisis and necessity of increasing tax collection. Just as Switzerland led the way in pioneering bank secrecy, it is now leading the way in bowing to pressure to curtail tax evasion (which has implications for hiding illicit money more generally). This may be just the beginning of a much broader trend in government efforts to track and curtail tax evasion. At the same time, we can expect continued evolution of methods of undercutting techniques designed to curb or control or just monitor illicit financial flows because the apparatus was designed with traditional international banking methods and institutions in

mind. In other words, changes in legitimate finance will lead to parallel opportunities for illegitimate finance. The rise (and possible demise) of Bitcoin as an alternative “digital currency,” discussed earlier, is just one particularly prominent example of this.

Conclusion

As has always been the case, there will continue to be inherent limits to how much governments can deter, detect, and interdict illicit flows, especially while maintaining an open society and keeping borders open for legal trade and travel. Facilitating the enormous volume of licit cross-border flows while attempting to enforce laws against illicit cross-border flows is and will remain an inherently cumbersome and frustrating task. And nowhere are the difficulties of this task felt more intensely than in the efforts to manage the growing transactions between developed and less developed regions of the world, whether across the southern and eastern edges of Europe or the southern edges of the United States.

Illicit flows will persist, as they always have – what will vary is their location, organization, method, and content. More police agents will continue to be deployed, new detection and interdiction technologies will continue to be developed, but illicit flows will also continue to go around, through, over, or under the policing barriers. Policing campaigns will continue to shape the methods, organization, and location of illicit flows, yet are unlikely to completely deter.

The future certainly looks bright both for those who profit from the business of illicit flows and for those in the business of policing such flows. On the policing side, this will likely include building on the ever-thickening cross-border law enforcement networks that have become a crucial – even if often overlooked – dimension of transatlantic relations and regional and global governance.²⁷ Declining U.S. leadership may present new opportunities for the EU to play a bigger global, and not just regional, role in this realm. However, EU officials are unlikely to find the policing challenge to be any less formidable than it has been for their American counterparts, though they may have more realistic expectations of what can reasonably be achieved.

²⁷ See Peter Andreas and Ethan Nadelmann, *Policing the Globe: Criminalization and Crime Control in International Relations* (Oxford University Press, 2006).