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The Contemporary Face of Transnational Criminal Organizations and the Threat they Pose to U.S. National Interest: A Global Perspective.

Vesna Markovic

University of New Haven, VMarkovic@NewHaven.edu

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The “New” Face of Transnational Crime Organizations (TCOs): A Geopolitical Perspective and Implications to U.S. National Security

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Contributing Authors: Mr. Gary Ackerman (START); Maj David Blair (USAF/Georgetown University); Ms. Lauren Burns (IDA); Col Glen Butler (USNORTHCOM); Dr. Hriar Cabayan (OSD); Dr. Regan Damron (USEUCOM); Mr. Joseph D. Keefe (IDA); Col Tracy King (USMC); Mr. David Hallstrom (JIATF West); Dr. Scott Helfstein (CTC); Mr. Dave Hulsey (USSOCOM); Mr. Chris Isham (JIATF West); Ms. Mila Johns (START); Mr. James H. Kurtz (IDA); Dr. Daniel J. Mabrey (University of New Haven); Dr. Vesna Markovic (University of New Haven); MG Michael Nagata (Army, J-37); Dr. Rodrigo Nieto-Gomez (NPS); Ms. Renee Novakoff (USSOUTHCOM); Ms. McKenzie O’Brien (START); Dr. Amy Pate (START); Ms. Gretchen Peters (George Mason University/Booz Allen Hamilton); Mr. Christopher S. Ploszaj (IDA); BG Mark Scraba (USEUCOM); Mr. William B. Simpkins (IDA); Dr. Valerie B. Sitterle (GTRI); Mr. Todd Trumpold, (USEUCOM); Mr. Richard H. Ward (University of New Haven); Mr. Tom Wood (JIATF West); Dr. Mary Zalesny, (Army Strategic Studies Group, PNNL)

Editors: Mr. Ben Riley (OSD-AT&L/ASD(R&E)) and Dr. Kathleen Kiernan (Kiernan Group Holdings)

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Carley St. Clair
Kiernan Group Holdings
stclair@kiernan.com

Chapter 6: The Contemporary Face of Transnational Criminal Organizations and the Threat They Pose to U.S. National Interest: A Global Perspective

Dr. Vesna Markovic
vmarkovic@isvg.org

Assistant Professor Henry C. Lee College of Criminal Justice and Forensic Sciences, University of New Haven, West Haven, CT and Program Manager, Institute for the Study of Violent Groups (ISVG)

Introduction

Over the past several decades, transnational criminal organizations (TCOs) have represented an increasing threat to U.S. security and interests both domestically and internationally. TCOs are organizations that conduct and carry out criminal operations across international borders. This means that the planning or execution of a crime occurred in more than one country. TCOs include groups such as Mexican drug cartels including Los Zetas and the Sinaloa cartel, violent street gangs like MS-13, and other international criminal organizations such as the D-Company in Pakistan. Although the underground nature of these networks does not allow for completely accurate statistics, in 2009 the United Nations Office on Drugs and Crime (UNODC) estimated that profits from criminal proceeds exceeded \$2 trillion. These proceeds come from crimes such as drug trafficking, arms trafficking, human smuggling, human trafficking, counterfeit products, sea piracy, kidnap for ransom, and the illegal smuggling of commodities such as tobacco and oil, to name a few.

Traditional organized crime groups have consistently posed issues for law enforcement; however, the contemporary TCOs present an even greater security risk and threat. TCOs thrive in countries with a weak rule of law and present a great threat to regional security in many parts of the world. Bribery and corruption employed by these groups further serve to destabilize already weak governments. These TCOs also present a major threat to U.S. and world financial systems by exploiting legitimate commerce, and in some cases creating parallel markets ("Transnational Organized," 2011). Finally, one of the most significant threats posed by contemporary TCOs is their alliances and willingness to work with terrorist and extremist organizations. This paper will focus on contemporary TCOs by giving a brief overview of the most common criminal enterprises associated with these groups, the nexus between various TCOs, the nexus between TCOs and terrorist and extremist groups, case studies highlighting the nexus, and the threats they pose to U.S. national interests.

Transnational Criminal Organization Activities

Drug trafficking has been and continues to be one of the most common criminal activities carried out by TCOs. It is also among the most profitable of the transnational crimes. A UN report (2012) estimates the worldwide illicit drug trade profits at \$322 billion a year. Every day, large quantities of drugs are shipped worldwide. This includes marijuana, which is the most widely used illegal narcotic, to cocaine, heroin, methamphetamines and their precursors, Ecstasy, and other synthetic drugs. TCO participation in the drug trade has increased levels of corruption, undermines the rule of law leading to greater levels of violence and instability in many regions, as well as the associated health and social issues it causes (Harrigan, 2011; Markovic, *i.p.*). Substance abuse of both licit and illicit drugs causes nearly 40,000

deaths in the U.S. each year and also leads to higher incidence of Hepatitis B, Hepatitis C, and HIV (CDC, 2011). Terrorist groups have also been known to use drug trafficking as a method of financing. The Taliban plays a role in Afghanistan's poppy/opium market, the FARC in the cocaine trade in Colombia, and more recently al-Qaeda in the Islamic Maghreb (AQIM) has been linked to raising fund through taxing and protecting cocaine shipments headed to Europe via Western Africa (Freeman, 2013).

The trafficking of small arms is another area of concern, since it fuels numerous conflicts around the globe. The trafficking of small arms, including rifles, pistols, and light machine guns, fosters violence and instability throughout the globe. Although the actual amount is not known, some estimates of the worldwide illicit trade in arms is somewhere between \$200-300 million, while some estimates believe it may run into the billions ("Small Arms," 2011). Arms and weapons that are trafficked may be stolen, obtained from licit sources but in violation of arms embargoes, arms for goods trades—such are trading drugs for weapons, trafficked from former high-conflict areas, and in rare cases manufactured by groups (Markovic, 2011). Small arms and light weapons are used worldwide in different theaters from civil conflicts to cartel wars. All forms of TCOs use small arms and light weapons in their operations, as do terrorist, extremist, insurgent, and rebel groups. Such weapons can help facilitate attacks such as the siege of the Amenas gas plant in Algeria by members of AQIM on January 16, 2013.

Another major criminal enterprise engaged in by TCOs is the smuggling and trafficking of human beings. The UN estimates global profits from forced labor to be over \$30 billion. This includes all forms of forced labor particularly sexual exploitation but does not include migrant smuggling. Human smuggling is the movement of people from one country to another by deliberately evading immigration laws. Human trafficking also contains a component of exploitation of those being moved, including forcing them to work in the sex industry, forced labor, domestic servitude, and other similar situations. Trafficking individuals for the purpose of forced labor is prevalent in the Middle East, Africa, South Asia, East Asia, and the Pacific while trafficking individuals for the purpose of sexual exploitation, which accounts for nearly sixty percent of all cases, is common in Europe, the Americas, and Central Asia ("Global Report," 2012). There are many estimates of the profits made from human trafficking and smuggling, as well as the number of people trafficked each year, however, they may underestimate the overall number due to the underground nature of the crimes. Various TCOs such as Mexican Coyotes, Russian mafia, snakeheads, and many groups in the Balkans all profit from trafficking humans (Markovic, 2011).

Product counterfeiting has also remained a major industry for transnational criminal groups. Virtually every product on the market can be replicated and sold on the black market at much lower than retail value (Markovic, 2007). As with many of the other criminal activities, the black market benefits from politically and economically unstable areas. Some countries do not have strong laws protecting against trademark and copyright infringement, therefore creating an opportunity for TCOs to capitalize. Another contributing factor is the demand for counterfeit products. Audio and video CDs and DVDs are some of the most popular items that are reproduced. TCOs also counterfeit software, electronics, and designer clothing and accessories such as purses, sunglasses, and watches. These products are easily reproduced, transported, and sold. Even currency, tax stamps, and other similar items may also be counterfeit. These products and currency can generate large profits for TCOs and terrorist groups as well. The trade in pirated music for example can be more profitable to a TCO than sale of cannabis. A kilogram of pirated CDs is worth almost \$4,000 per kilogram, while one kilogram of cannabis resin is only worth a little over \$1,300 (Interpol, 2004). The high demand for counterfeit product creates large

markets around the world. Another major incentive to TCOs is the fact that the penalties for drug trafficking are much harsher than for product counterfeiting.

Aside from the criminal activities mentioned above, TCOs are also involved in trafficking contraband items such as cigarettes, oil, precious metals and stones, timber, and other commodities. Sea piracy is another criminal activity that has grown over the past several years, although there was a major decrease in 2012. TCOs have been involved in various types of fraud as well. For example, criminal groups in Europe alone make nearly \$2 billion a year from credit card fraud (Europol, 2012). Regardless of which one of the criminal activities TCOs are involved in, they must conceal the origin of the illicit proceeds. This is done through both formal and informal money laundering, as well as, bulk cash smuggling. Bulk cash smuggling involves moving illegal proceeds, generally more than \$10,000 in cash, from one location to another by concealing it in some way. This is increasingly becoming a popular method used by TCOs, particularly those involved in the drug trade.

Formal money laundering operates through the regular banking system and attempts to conceal the source of proceeds that were obtained illegally. If the money is in cash, it is first put into the financial system; this step is known as "placement." The next step involves concealing the money by making multiple transactions to make it difficult to trace the origin of the money. This step is known as "layering." The more transactions made, the harder it is to trace the origin of the funds. Once the money is concealed through this method, it is ready to be used as legitimately earned money; this step is referred to as "integration" ("National Money," 2007). This means the clean money may then be used to purchase real estate, cars, businesses, or be invested in some other form. A major example of formal money laundering by TCOs involves the HSBC bank. In December 2012, HSBC was fined \$1.92 billion in a money laundering case tied to Mexican drug cartels (Hernandez, 2012).

Other forms of money laundering are the informal money laundering systems. *Hawala* is an informal money transfer system, which is based on trust. There are no formal receipts or statements of transaction, and no money ever crosses borders. Since no money is exchanged the debts between *hawaldars* can be settled through under invoicing, over invoicing, and debt assignment (Jost, 2001). Due to its favorable exchange rate, and low fees compared to bank transfers, it is a preferred method of transmitting money by immigrant communities particularly because no documentation is necessary to send money. Besides providing a cheap, fast, and reliable method of transferring money, the lack of a paper trail also makes this method favorable among criminal organizations. *Hawala* transfers can be an easy and effective method of transfer for terrorist groups, while making investigating these transfers difficult due to the lack of records. A prime example of the use of *hawala* by a terrorist group is the money transfer sent by Tehrik-i-Taliban (TTP) from Pakistan to Faizal Shahzad in April 2010, just one month before his failed Time Square bombing attempt ("Manhattan U.S.," 2010). TCOs also use *hawala*. Dawood Ibrahim is believed to be heavily involved in *hawala* money transmittal operations (Nanjappa, 2010).

There are also other variations of these informal money transfer systems worldwide. One popular method is the Black Market Peso Exchange (BMPE). It is used heavily in South America, especially in Colombia by businessmen who attempt to avoid remittance controls, and by TCOs who launder proceeds from drug trafficking operations. Just like formal money laundering, proceeds from illicit activities are moved via the BMPE and eventually end up back in the licit market, as if it were earned legitimately. Previously drug money was transferred back to Colombia on the same planes that brought

the drugs, and then exchanged for pesos at willing banks in Colombia, or the money was flown to off-shore banks in the Caribbean (Zill and Bergman, 2000). Law enforcement and government officials, based on information from various sources, estimate the total amount of money laundered through the BMPE at three to six billion dollars a year (White House, 2000; Zill and Bergman, 2000; Johnson, 1999).

If a TCO were smuggling proceeds of drug sales from the U.S. to Colombia using the BMPE, they would first contact a peso broker. The peso broker will arrange pick up of the money in the U.S. and then change the funds into money orders, purchase other financial instruments, or place the money directly into already established bank accounts. The broker then enters into contracts with businessmen in Colombia, who for a lower exchange rate, purchase goods from the U.S. These businessmen pay the broker in Colombia in pesos while the drug money in the U.S. is used to purchase the goods for the businessmen, which is then shipped to Colombia allowing for the drug proceeds to be laundered, and allowing the businessmen to make purchases at a lower exchange rate. The money can be exchanged at a rate that is discounted between 25 and 40 percent (Johnson, 1999; Zill and Bergman, 2000). As with the *hawala*, there are numerous variations of this scheme.

Transnational Criminal Organization Networks

One of the most prominent threats posed by TCOs is their interest in the bottom line. This means that they are willing to work with any group regardless of their affiliations or ideologies. Many of these groups work together for the main purpose of making money. Of particular concern to U.S. interests is the collusion between Mexican drug trafficking organizations (DTOs) and various street gangs in the U.S. Mexican DTOs are making large amounts of money from drug trafficking and this fuels the ongoing violence in Mexico. Coupled with a high level of corruption, the problems in Mexico create a threat to U.S. cities around the country. Some have already witnessed an increase in cartel violence, such as in Atlanta and Chicago. There has been an increased presence in cartels in Chicago. The increase in murders in that city in 2012 has been directly attributed to fighting over drugs and territory. Battles for control over marijuana, cocaine, and heroin distribution by the Zetas and Sinaloa cartel and their violent street gang counterparts have been increasing (Keteyian, 2012).

Chicago is not the only city to witness the increase in violence due to these turf battles from the lucrative drug business. In 2008, approximately \$70 million in drug-related cash was seized in the Atlanta area alone because of its role as a distribution center for marijuana, cocaine, heroin, and methamphetamines for the eastern U.S. ("Mexican Cartels," 2009). These nationwide networks also include numerous street gangs. These street gangs assist in transportation, distribution, and sale of narcotics, and in some cases work as enforcers for the Mexican drug cartels. Figure 10 illustrates the relationships between some of the most active Mexican DTOs and street gangs. The figure only shows links with street gangs the DTOs have been aligned with, and not inter-linkages or rivalries between DTOs or gangs themselves. The chart shows just a handful of groups that have worked with or for Mexican DTOs. This poses a great threat to U.S. interests and the level of violence in cities around the U.S.

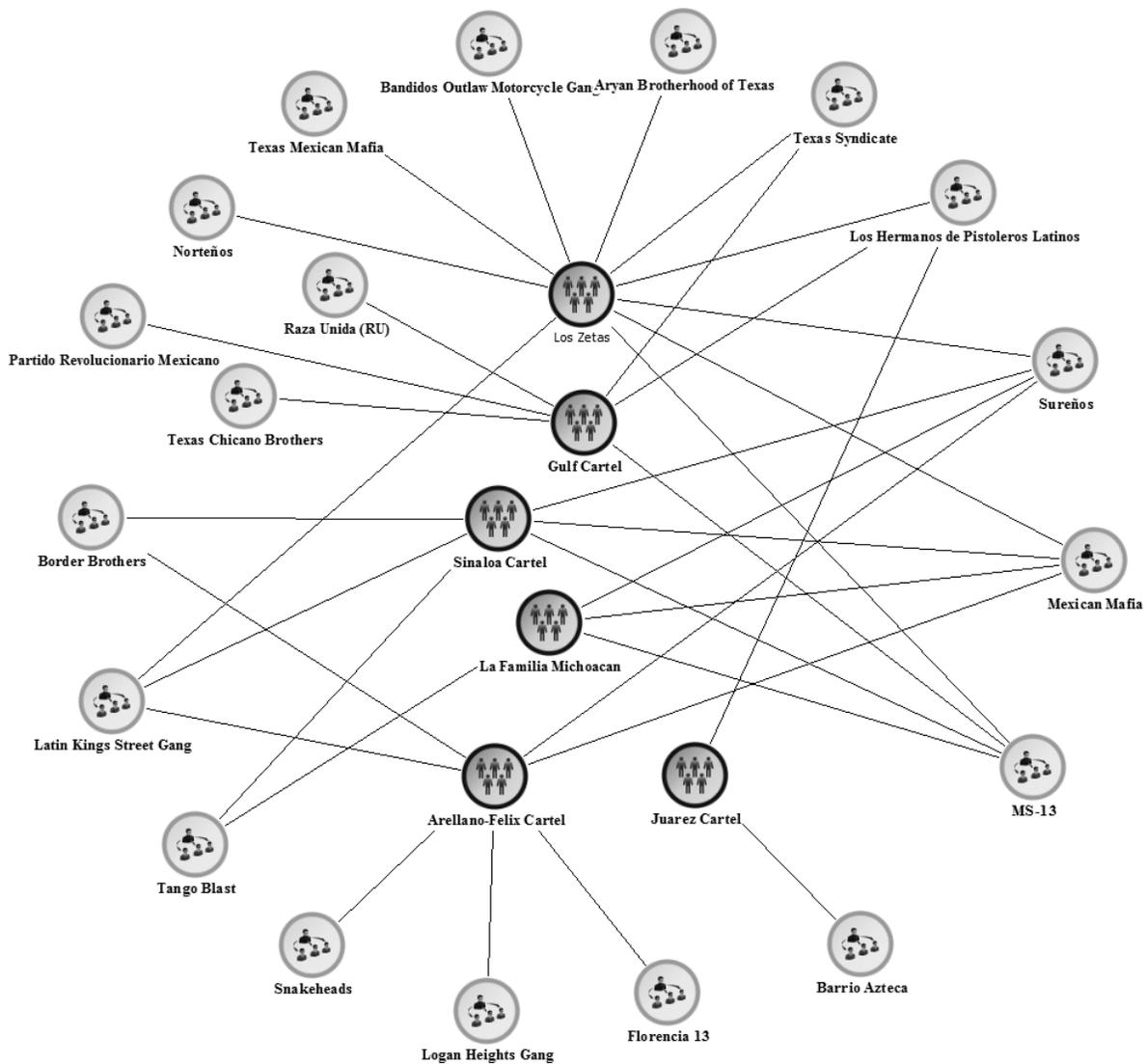


Figure 10: Major Mexican DTOs and Their Links with U.S. Street Gangs (ISVG)

The Nexus between TCOs, Terrorists and Extremist Groups

Perhaps the most disturbing aspect of the contemporary TCOs is their willingness to work with terrorist and extremist organizations. Whereas traditional organized crime groups were viewed as having a nationalistic orientation, the contemporary TCOs often have competing interests with the State (Shelley, 2005). This presents a particularly troubling trend among the contemporary TCOs. Terrorist groups have also begun using tactics traditionally attributed to organized crime to finance their operations. These indicators include:

- Colluding with other terrorist groups to finance through organized crime;
- Working with TCOs in organized crime activities; and
- Overlapping networks between TCOs and terrorist groups (Markovic, 2011).

There have been many cases that illustrate the nexus between these groups. The following section contains three case studies that demonstrate the effectiveness and threats posed by such collusion.

Case Study 1: Nexus between TCOs and Terrorist Groups

It is becoming more and more common for contemporary TCOs to collude with terrorist and extremist groups. In some cases the lines between terrorist/extremist groups and TCOs may be blurred. They may have overlapping networks and in rare cases the TCO is greatly involved in terrorist activities. A primary example of this is the D-Company, a TCO based out of Karachi, Pakistan run by Dawood Ibrahim. The group is engaged in many transnational criminal activities such as drug trafficking, human trafficking, extortion, gambling, Hawala, among criminal activities (Kaplan, 2005). The most troubling aspect is the group's continued collusion with terrorist organizations. For the past several decades, the D-Company has repeatedly engaged in relationships with terrorist and extremist groups worldwide.

In the 1990s, the D-Company smuggled heroin from Pakistan with the assistance of a Sri Lankan terrorist organization the Liberation Tigers of Tamil Eelam (LTTE) ("Dawood Inc.," 1997). These drugs were shipped overland through India to Colombo, Sri Lanka, where they were repackaged and shipped to Europe in ocean-liners, and to West Africa using cargo and container ships ("Dawood Inc.," 1997). This joint network also operated in trafficking arms to various areas. One intelligence report claimed that the LTTE used these networks in Karachi to transport an arms shipment to Northern Alliance Commander Ahmad Shah Masood in Afghanistan in 1995 ("Dawood Inc.," 1997). In an even more troubling example, some reports allege that Ibrahim granted permission to al-Qaeda to pay for use of D-Company's extensive smuggling networks (Raman, 2003).

D-Company has also been directly linked to terrorist activities, including providing logistical and material support to various terrorist groups in Pakistan. The 1993 Bombay (Mumbai) attacks, in which 13 bombs simultaneously exploded around the city causing over 250 deaths, were linked to Ibrahim (Kaplan, 2005). The 2008 Mumbai attacks carried out by Lashkar e Tayyiba (LeT), which led to the deaths of over 170 people, was also facilitated to some extent by Ibrahim. It is believed he provided the boat used and also provided material support to the group ("Dawood Directly," 2008). Moreover, Ibrahim has provided material and financial support to LeT and other groups such as the Students Islamic Movement in India (SIMI), Harkat ul Jihad-al-Islami (HUJI), and Tehrik Nifaj Shariat-e-Mohammadi (TNSM).

The willingness of TCOs to work with and provide logistical, financial and/or material support to terrorist or extremist groups makes these relationships very lethal, as exemplified by D-Company. The international reach of the group and its networks can potentially link a wide range of dangerous groups together. It can also help facilitate the movement of money and operatives to the many countries where D-Company maintains operations or network contacts. To illustrate the potential of this network, a social network chart of Ibrahim and D-Company was created using data from the Institute for the Study of Violent Groups (ISVG). Figure 11 shows direct and indirect links between Ibrahim and LeT, SIMI, Harkat-ul Jihad-al-Islami Bangladesh (HuJI-B), and al-Qaeda.

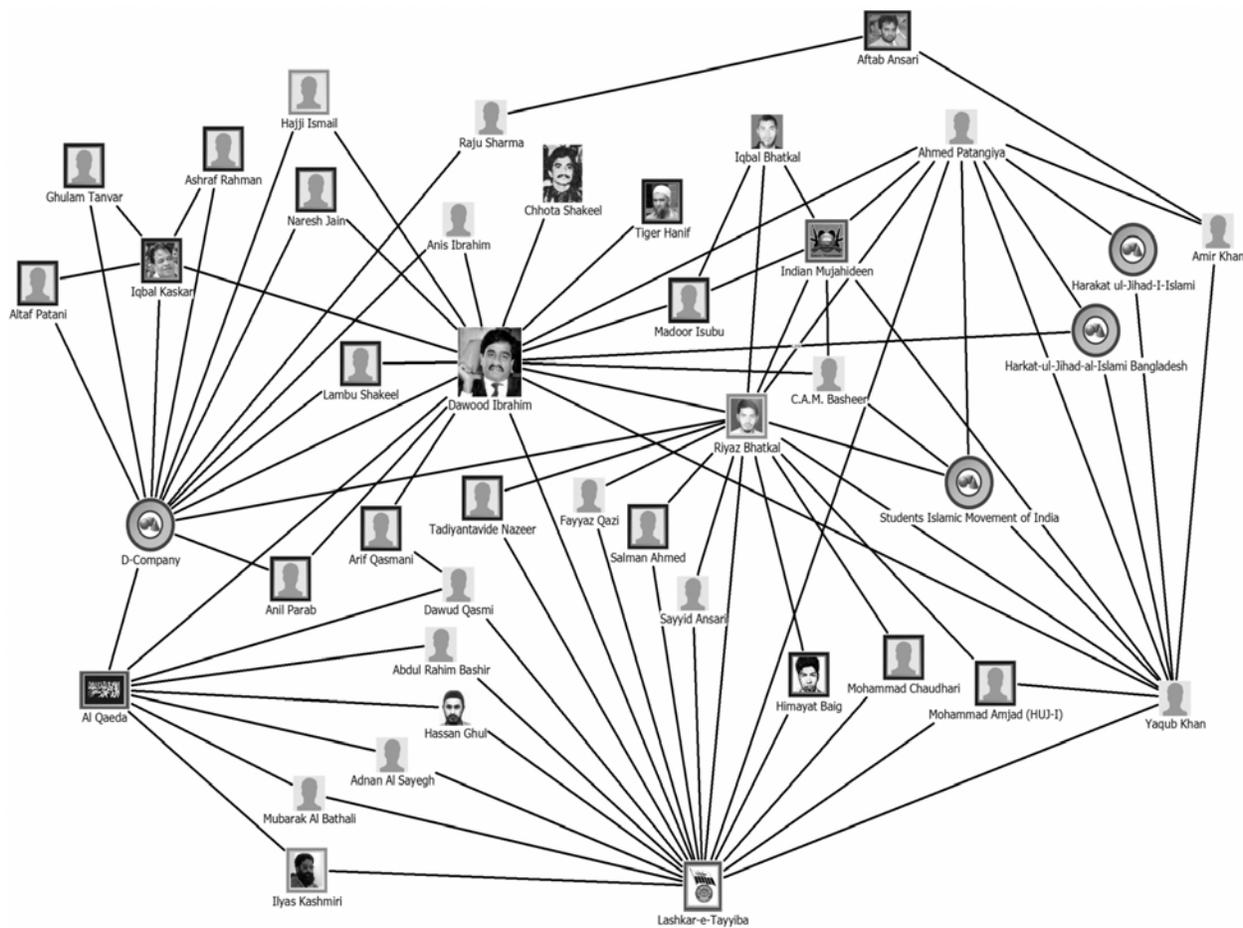


Figure 11: Social Network of Prominent Links of Dawood Ibrahim and D-Company (ISVG)

Case Study 2: Nexus between Two Terrorist Groups

This second case study looks at the collusion between two terrorist groups. On December 15, 2009, Umar Issa, Harouna Toure, and Idriss Abelrahman were indicted on two counts for their role in a conspiracy to possess with the intent to distribute cocaine, and conspiracy to provide material support to a foreign terrorist organization (USA v. Issa, 2009). The men were linked to AQIM, formerly known as the Salafist Group for Call and Combat (GSPC), and were attempting to work with FARC to smuggle Colombian cocaine to Europe via West Africa. They were actually dealing with undercover agents, whom they believed to be members of the FARC. A confidential human source was introduced to Issa and began a series of meetings that would lead to the arrest of Issa and two accomplices.

The confidential human source (CHS) identified Issa as a member of a criminal organization that operated in Togo, Ghana, Burkina Faso, and Mali (USA v. Issa, 2009; Markovic, 2011). The indictment stated that the CHS met with Issa on September 14, 2009 in Ghana. This meeting was used to plan the logistics of transporting cocaine for the FARC via West Africa, to North Africa, with the final destination being the Canary Islands. During this meeting Issa stated that the shipment would have protection provided by AQIM and that they would be able to easily circumvent scrutiny at customs checkpoints in Mali. After this date, there were several phone calls made to arrange the logistics of transporting the cocaine, arranging transfers to Issa through Western Union in Togo. Further meetings took place in October in Ghana between the CHS and Issa at which point Issa introduced the informant to his boss

Harouna Toure. They would arrange for transshipment of the cocaine from Ghana to Mali, however they would enlist the support of AQIM from Mali to Morocco using Land Rover 4x4s. The cost negotiated to transfer the cocaine was \$2,000 per kilogram (Markovic, 2011). The arrangement was to transport between 500 and 1,000 kilograms of cocaine at a time.

During the meetings between the men and the CHS, Toure mentioned his connections to AQIM and other criminal activities he participated in to finance al-Qaeda operations, and supporting them by providing gasoline and food. This involved smuggling individuals from Bangladesh, Pakistan, and India into Spain. Other activities included collecting taxes from the wealthy in Mali, also allegedly carried out for AQIM. The kidnapping of Belgian citizens who were held for ransom was also for AQIM. Although the men were actually dealing with undercover agents, it showed the group members willingness to work with other terrorist groups to raise funds for their cause. In December 2009, the three men were arrested for their role in this smuggling plot.

Case Study 3: Terrorist Group Using TCO Tactics

The final case study looks at one of the primary examples of terrorist groups employing methods traditionally associated with transnational organized crime groups. Although kidnap for ransom (KFR), and express kidnappings have been used by many criminal organizations - including those involved in sea piracy, KFR and kidnapping for political motives has also been widely used by many terrorist groups. Groups such as Abu Sayyaf (ASG) in the Philippines, Pakistani groups such as Tehrik-e-Taliban Pakistan (TTP), Lashkar-e-Jhangvi (LeJ), and Sipah-e-Sahaba (SSP), FARC, National Liberation Army (ELN) in Colombia, and al-Qaeda in Iraq (AQI) have also used kidnapping for ransom and political motives. One of the most prominent groups using KFR as a tactic is AQIM, formerly known as the Salafist Group for Preaching and Combat (GSPC), which originally primarily operated in Algeria. Since becoming an al-Qaeda branch, the group has increased its level of attacks, and spread its area of operation outside of Algeria. Kidnapping for ransom is one of the group's primary sources of funding. Since 2005, AQIM is believed to have earned \$65 million from kidnap for ransom ("Organised Maritime," 2011). AQIM has also used kidnapping to try and coerce concessions from foreign governments.

Although AQIM has used KFR for many years, the most recent incident involving the siege of the Amenas gas plant in Algeria has thrust them into the international spotlight. On January 16, 2013 approximately 30 militants using automatic weapons and grenades attacked the gas plant and rounded up hundreds of foreigners in a massive hostage taking. Some hostages managed to escape while others were shot while attempting to escape. According to Algerian officials, some hostages were strapped with Semtex bombs (Chrisafis, et. al., 2013). Mokhtar Belmokhtar, former Emir of AQIM, released a video claiming responsibility for the attack and called on France to stop airstrikes in Mali ("Qaeda Commander," 2013). Many foreign hostages were killed in the attack, including three U.S. citizens. The siege lasted for four days before intervention by Algerian security forces. As of January 21, it is believed 37 foreign hostages, and 29 militants were killed (Fleishman, 2013).

While the kidnapping at the Amenas gas plant was the most prominent incident involved foreign hostages, this is a very common tactic used by AQIM. On January 22, 2009, armed gunmen ambushed a group of Western tourists. While the first vehicle was able to escape, four Western tourists (German, Swiss and U.K. nationals) were kidnapped in Niger and taken to Mali ("Organised Maritime," 2011). It is believed that they were kidnapped by nomads and then sold to AQIM. One of those kidnapped was UK citizen Edwin Dyer. AQIM asked the government to release Abu Qatada, a Palestinian with Jordanian

citizenship, who at the time was incarcerated in London for his affiliations with al-Qaeda. The UK refused to release Abu Qatada. Their second offer was a €10 million ransom in return for his release ("Organised Maritime," 2011). Dyer was killed by AQIM on May 31, 2009 in Northern Mali. They then demanded €300,000 for the return of his remains, which was also not paid. The three remaining hostages were subsequently released. Although the specific terms of the release were not known, it is believed that some ransom was paid ("Organised Maritime," 2011).

The Threat to U.S. Security and Interests

TCOs operate all over the world. Some countries are destination countries, while others are just used as transshipment points. Some of the major problem areas include Western Africa for the trafficking of cocaine to the European Union, the Balkan route, and of particular concern to the U.S., Mexico, Central America, and the Caribbean. What makes this problem more serious is the evolving nature of TCOs. The transnational nature of the criminal activity poses critical threats around the globe. These groups and their criminal activities perpetuate violence, serve to further destabilize areas with weak economies and institutions, lead to high levels of corruption, and pose a significant threat to U.S. interests both here and abroad. These groups that threaten U.S. interests have not only become more dangerous by increasing their capabilities of carrying out attacks but have also become more flexible because of their continuing ability to obtain support and raise funds, particularly through the use of traditional organized criminal activities. The recent attacks against foreigners at the Amenas gas plant in Algeria, provides a prominent example of the threat faced by the U.S.

Other major threats have arisen based on changes in TCO operational tactics. In order to avoid law enforcement and security forces, the groups have adapted and become creative in their methods of operation. One primary example is the increased use of self-propelled semi-submersibles, or mini submarines. These submersibles are used to traffic cocaine from South America to the U.S., and present a unique challenge in homeland security. They are generally built in FARC-controlled territories in Colombia, and can hold up to 10 metric tons of cocaine. They were made of wood, but have also been made using fiberglass and steel, and are equipped with sophisticated electronics to avoid detection ("All Hands," 2008). Although it is used specifically for trafficking cocaine, it can also be used to facilitate other transnational criminal activities and possibly terrorist acts. With a 10 metric ton cargo capacity used to ship narcotics, this space can also be used to carry explosives or even WMDs, and can possibly be used to facilitate water-borne attacks, which pose a direct threat to the national security of the U.S. ("All Hands," 2008).

The new TCOs are constantly expanding their operations and networks, and have diversified the criminal enterprises they are involved in ("Transnational Organized," 2011). Also playing a role in these expanding networks are individuals such as accountants, attorneys, bankers, and other facilitators who provide services to these TCOs ("Transnational Organized," 2011). These partnerships, along with the collaboration between TCOs and terrorist groups act as a force multiplier (Rollins & Wyler, 2012). The new TCOs are more apt and willing to provide weapons, logistics and other services to these groups. Also, as groups such as the Self Defense Forces of Colombia (AUC) turned to criminal activity after demobilization, or terrorist groups who use criminal activity as a source of funding, TCOs may also adopt political or ideological motivations and goals (Rollins & Wyler, 2012). The criminal organizations, such as Ibrahim's D-Company have already crossed the line from criminal activities to terrorism as previously

outlined. In order to disrupt these networks it is important to cooperate on an international level. It is important to strengthen the skills and capacity of weaker governments in battling TCOs.

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