

## Global Initiative on TOC – Launch Conference

19-20 September 2013

### Beating the ‘Crime Trap’:

#### What can we do about the feedback loop between fragility and organized crime?

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#### What is ‘fragility’?

‘Fragility’ is defined by the OECD as the absence of the capacity to carry out basic governance functions and develop mutually constructive relations with society.<sup>1</sup> Fragile states are poor providers of public goods and services – including security – and as a result they are not resilient to shocks, whether from internal or external sources.

Mali, for example, looked like it was on a good development path; but it turned out to be very fragile. Democratic elections masked deep-seated corruption, which eroded state legitimacy and military effectiveness and left the state vulnerable to armed insurgency and a military coup.

Because of examples like that, there is growing recognition that fragility impedes sustainable development. Even as global economic growth steadily adds to the ranks of middle-income countries, there is a set of around 30 countries that seem trapped in fragility.

The OECD projects that by 2015, 50% of the world’s poor will live in fragile states.<sup>2</sup> In 2011, fragile states also hosted 77 percent of the world’s children that do not attend primary school, 70% of infant deaths, 65% of the global population without access to safe water, and 60% of the world’s starving.<sup>3</sup> In fact, no low-income fragile or conflict-affected country has achieved a single Millennium Development Goal.

#### What does fragility have to do with organized crime?

A community is fragile if it lacks the capacity for effective, peaceful and sustainable self-governance. That is usually because the state is unresponsive to social needs, failing to provide inclusive access to public goods and services, like security, or effective market regulation.

That failure creates opportunities for criminal groups to develop alternative governance capacity, based in and controlling rents from criminal activity – ‘criminal rents’.

Fragility often generates criminal rents, which armed groups and clandestine networks can strategically exploit.

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<sup>1</sup> OECD (2012), *Fragile States 2013*. OECD Development Cooperation Directorate, Paris, p. 15. See also World Bank (2012), *Societal Dynamics and Fragility: Engaging Societies in Responding to Fragile Situations*. Washington, DC: World Bank.

<sup>2</sup> OECD (2013), *Ensuring fragile states are not left behind: 2013 Factsheet*. OECD, Paris.

<sup>3</sup> World Bank (2011). *World Development Report 2011*. World Bank, Washington D.C.

Empirical research suggests that settings with weak interpersonal ties, institutional fragmentation, between-group inequality and poor state service delivery – in other words fragile communities – tend to appeal to criminal actors.<sup>4</sup> From the Brazilian *favelas* to the Burmese highlands, the state's inability to deliver services and security to its citizens opens the door for criminal entrepreneurs to step in as social and political leaders. Fragility thus fosters the emergence of criminal organizations.

In that sense fragility can be criminogenic.

### **How do fragility, crime and conflict relate?**

To date, policy makers have focused on the connections between fragility and conflict. But there is growing attention to the relationship between fragility and crime.

There is no *direct* correlation between crime and conflict onset, intensity or duration – or even between crime and violence.

Other variables mediate the relationship, centrally the nature of the economic rents available and the strategies of those – including the state and criminal groups – competing to govern them, and obtaining legitimacy while doing so.

Different criminal groups adopt different strategies in the same circumstances. Look for example at the Sinaloa cartel and the Zetas in Mexico. Sinaloa focuses on trafficking and corruption. Los Zetas, by contrast, have developed a much more coercive strategy based on territorial control and extraction of a wider array of criminal rents from the territory they control.

And sometimes the same criminal group can change strategies to deal with different strategic circumstances, or under different leaders. And they can learn. Take a local example: the New York Mob gangster, Meyer Lansky, who had huge casino interests in Havana, learned from the overthrow of the Cuban dictator Batista that it was not enough to have an alliance with the political elite – what was needed was social legitimacy. So in their next Caribbean gambling adventure, in The Bahamas, Lansky and the Mob not only formed alliances with the ruling white elite, but helped finance the political campaign of the black opposition that saw them rise to power.<sup>5</sup>

### **So if organized crime results from gaps in state capacity and legitimacy, shouldn't we just resign ourselves to it?**

Some people suggest that the eradication of organized crime in fragile states is an unrealistic goal – that it is an inevitable part of the growing pains that low-income countries experience as they integrate with the global economy. Organized crime can actually lead to local, short-term economic growth, particularly for marginalized communities, because of their comparative advantage in the production and distribution of illegality.

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<sup>4</sup> P. Miraglia, R. Ochoa and I. Briscoe (2012), *Transnational Organized Crime and Fragile States*, OECD Working Paper 5. OECD Publishing, Box 2.2, p. 12.

<sup>5</sup> See J. Cockayne, forthcoming 2014. *Dark Strategy: How Criminal Groups Make, Keep and Lose Political Power* (Hurst & Co. and OUP).

Now, it may be true that organized crime is not manifestly violent. Criminal groups may not be engaged in gunbattles with other criminal groups or the state. In fact, often the monopoly of governance that a criminal group develops over a community can make that community feel protected and safe. It can bring a sense of peace.

But if this is peace, it is an unsustainable peace. If it generates growth, it is not inclusive growth. Criminal rule offers an *illusion* of safety and security, based on paying the *pizzo*, paying the price, paying tribute to the criminal group. It is the safety of a dictator, based not on freedom and respect for rights, but on autocracy and coercion. Violence may not be overt; it may be structural. And in such cases, its heaviest costs fall on those furthest from outsiders' gaze: the children who are killed working corners for drug-gangs, and the wives and women terrorized by the violent male criminal culture. And for that very reason, criminal regimes do not endure. They rarely survive one generation, because criminals can't pass legal title to their assets to their heirs. Criminal wealth can't easily be inherited; it has to be won through the barrel of a gun. Illicit growth is not sustainable development. In fact, countries and cities that have 'the highest rates of violence also register the lowest gains in social and economic progress'.<sup>6</sup>

The simple reason is that organized crime creates a 'crime trap' like the 'conflict trap' that prevents states and communities developing. Just as conflict traps communities in a state of underdevelopment, unable to develop the autonomous capital that will drag them out of poverty and the fight for survival, so does crime. Any surplus capital – human, physical or financial – quickly gets siphoned off by criminal leaders into private bank accounts, often overseas. It is not reinvested in public goods. Some of it may stick around to fuel private profiteering through real estate bubbles and to hijack legitimate companies, but both come at public expense.

The visible wealth and fame of the criminal leadership may attract new recruits, but the reality of the life prospects of a Somali pirate or a Salvadorean *mara* recruit is that the probability of living long enough to enjoy success and wealth is incredibly low. And the effects of criminal organization don't just fall on individuals, but whole communities. Over the long term, the effect of sustained organized crime is to institutionalize radical inequality and illiberal governance, directly aggravating existing fissures in governance and development outcomes, increasing the prospects of social and political violence.<sup>7</sup>

### **Looking ahead: organized crime's growing political power**

We need to recognize that this kind of criminalized non-state governance of fragile communities is only going to become a *more* frequent characteristic of the global landscape.

It is true that many low-income countries are turning into middle-income countries. But that may be the wrong unit of analysis: even as national economies grow, we are seeing a growing number of fragile cities and fragile regions.

Urbanization, climate change and youth bulges in developing countries are all fuelling a rise in fragile cities, which is leading to a proliferation of informal armed groups at the local level.

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<sup>6</sup> R. Muggah and G. Milante (2013), 'Less Violence, More Development', *Global Observatory*, 22 April 2013.

<sup>7</sup> Miraglia, Ochoa and Briscoe, 2012, p. 4

Economic globalization is making it steadily easier for these non-state armed groups, gangs, crews and posses to access global markets, including illicit markets, and to organize military capacity and social legitimacy outside state structures.

This in turn leads to local, informal political power. Criminal groups want political and social influence as a means to economic wealth or local power. They don't want formal political authority. After all, with authority comes responsibility. And that's costly.

Yet criminal groups *are* political actors, even if they don't pursue formal political authority. They can develop political and social influence by governing communities that the state can't reach, in the *favelas* or the Sahel. But they can also act as brokers, controlling marginalized communities' access to the state and its services, and formal political actors' access to the votes and labor in those communities, as the *mungiki* did in Kenya, or the *chimères* did in Haiti.

And they do this not only by controlling illicit *economic* activity, but also by developing power in and over formal political processes, through informal corruption of political actors and even more formal pacts with political groups, like the famous Pact of Ralito in Colombia. Crime can become a source of funds and manpower for political campaigning and patronage, and politics can become a source of contracts and protection for crime. And when things go wrong, criminal groups resort to terrorism, as the mafia did in Italy, or Escobar did in Colombia.

The problem here is that the presence of crime skews the democratic marketplace: the path to power lies not through earning popular trust through legitimate economic and social policies, but through capturing criminal rents. It lies not through inclusive politics and the strengthening of social trust, but through the politics of racism and chauvinism, the politics of division and fear.

So states get stuck in a feedback loop between fragility and crime – a crime trap.

### **So what else should we be doing?**

Our responses must aim at protecting fragile, post-conflict and transitional states against this potential capture by criminal groups and behaviors. We need to recognize that, as Vanda Felbab-Brown has put it, the state and the criminal group are, at that point, in a 'statebuilding competition', or perhaps more accurately a 'protection competition'. And our efforts need to aim to strengthen the state's protection system – not *just* its security system, but also its social protection system.

Our systems for doing that, particularly in the area of supporting law enforcement, are very weak. We've seen efforts like the UN's West Africa Coastal Initiative, or the International Commission Against Impunity in Guatemala, but they are *ad hoc* and very vulnerable to donor fashions. We may need to think about a more systemic approach, for example through working with the Justice Rapid Response initiative or the creation of an international trust fund.

But we also need to think about how we can strengthen states' *social* protection arrangements.

In fragile states and communities, criminal groups may be *more* legitimate and capable as service providers at the local level than the state. So a reliance on state-based solutions alone may just antagonize the population further and delegitimize the state further.

That suggests a radical solution: we need to recognize that some criminal groups may be *sources* of social capital which could strengthen the state. Harnessing that capital will require finding ways to work with those criminal groups, for example involving them in service delivery. In Haiti, the NGO *Viva Rio* has involved former gangs in innovative waste water recycling and distribution projects which have helped improve community access to water and energy, while also encouraging gang members away from violence, creating alternative livelihoods, and building social capital between the gangs, the community and the state.

But we still have a long way to go in thinking through when we can deal with such groups – what crimes can we offer amnesty for? How can existing tools for mediation and DDR (disarmament, demobilization and reintegration) be adapted to deal with criminal groups? The current experiments with gang truces and peace zones in El Salvador and elsewhere in Central America may offer important insights, but there is also room for scaling up comparative research.

### **Do no crime**

Finally, we should ensure that our existing policies do no harm – or, to coin a phrase, ‘do no crime’.

For example, the emphasis on decentralization in post-conflict constitutional structures risks raising the costs of corruption monitoring, making it easier for crime to organize at the local level. We know from federal states like Colombia and the US that crime organizes wherever political power over spending and security is located. Does the emphasis on decentralization in Somalia, Mali, Afghanistan risk the same result?

Likewise, the emphasis on market liberalization in the transitional context also risks rewarding those who have – or can acquire, through coercion or corruption – dominant market positions. We saw in Russia and Bosnia, and we risk now seeing in Burma – that this can quickly turn organized crime into crony capitalism, and crony capitalism into an entrenched repressive political regime.

And finally, the rush to elections in post-conflict and transitional states risks rewarding candidates with access to cash and get-out-the-vote power. Criminal groups offer both. If we do not strengthen young democracies against criminal influence, do we risk condemning them to the crime trap?