



**Bangkok, Thailand
23-25 September 2013**

**CHAIR'S SUMMARY
APEC Pathfinder Dialogue with ASEAN & PIF Partners
Combating Corruption and Illicit Trade across the Asia-Pacific Region**

One of the largest gatherings to date focusing on corruption and illicit trade, the APEC Pathfinder Dialogue brought together more than 180 anti-corruption investigators, law enforcement officials, and policymakers from over 20 APEC (Asia Pacific Economic Cooperation) economies, ASEAN (Association of Southeast Asian Nations), the Pacific Islands Forum (PIF), as well as representatives from civil society organizations (CSOs), international organisations, and the private sector, to attend a three-day workshop held under the auspices of the APEC Anti-Corruption and Transparency Working Group (ACT) in Bangkok, Thailand from 23-25 September 2013. The Pathfinder Dialogue was co-hosted by the governments of Thailand and the United States, in partnership with the United Nations Office on Drugs and Crime (UNODC), the Organisation for Economic Co-operation and Development (OECD), and the American Bar Association.

Deputy Chief of Mission of the U.S. Embassy in Bangkok Patrick Murphy and U.S. Senior Official for APEC Robert Wang provided keynote remarks during the plenary session where they underscored the harms of corruption and emphasized the importance of partnerships to effectively combat corruption and illicit trade, specifically, trafficking in persons, wildlife trafficking/environmental crime, and money laundering. Thailand's National Anti-Corruption Commissioner Professor Pakdee Pothisiri stressed that controlling corruption among public officials is an essential prerequisite to dismantling illicit trade networks, and highlighted the importance of having anti-corruption practitioners understand the fundamentals of illicit trade. Attorney General of the Union of Myanmar H.E. Dr. Tun Shin discussed Myanmar's recent efforts to curb corruption, including its ratification of the UN Convention against Corruption (UNCAC), and underscored the value of APEC-ASEAN partnership.

The Pathfinder Dialogue focused on the need to combat the corruption that facilitates and enables illicit trade networks engaged in trafficking in persons, wildlife trafficking/environmental crime, and money laundering, and emphasized the importance of inter-regional partnerships that, *inter alia*, share information and best practices to address trans-regional challenges. The Dialogue also highlighted the importance of developing and strengthening holistic approaches that address linkages between corruption and illicit trade, including, for example, channels and mechanisms that promote cooperation between anti-corruption authorities and law enforcement authorities.

Participants provided informative presentations and assessments/analyses of global and regional transnational organised crime trends, and these presentations guided participants in discussing evidence-based solutions and strategies to confront the convergence of threats facing jurisdictions across the Asia-Pacific region. Furthermore, participants acknowledged the ways in which increasingly sophisticated transnational criminal networks are evolving and threatening economies, societies, the environment, and security, and agreed that governments, civil society, and the private sector must also evolve to effectively respond and disrupt and dismantle criminal entrepreneurs and illicit networks.

Convergence of Threats: Combating Corruption and Illicit Trade

Participants in the Pathfinder Dialogue shared information regarding the direct links among specific illicit actors, as well as the growing illegal economy that supports and enables corrupt officials, criminals, terrorists, and insurgents. Today's global threat environment is characterized by convergence: the merging of an ever-expanding array of illicit actors and networks. In an interconnected world, the links connecting these threat actors and networks cut across borders, infiltrate and corrupt licit markets, penetrate fragile governments, and undercut the interests and security of markets and economies across the Asia-Pacific region and beyond. In addition, the international convergence of organised crime, violent extremism and corruption is mutually reinforcing. Assisted by corrupt officials, transnational criminal networks and extremist groups increasingly help one another move products, money, weapons, goods, and people, while profiting mutually from the transactions.

Director for Anti-Crime Programs in the U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs David Luna led a discussion which provided a snapshot of the current state of illegal cross-border trade, including the challenges posed by the political-criminal nexus between corrupt officials and international criminal organizations to regional security, stability, and market prosperity. Representatives from various APEC and ASEAN economies, international organizations, the private sector, and civil society provided presentations, analyses, and best practices on the importance of understanding today's threat environment so that economies can strengthen international cooperation, market resiliency, and law enforcement responses across borders to combat corruption and illicit trade.

Representatives from the United Nations Office on Drugs and Crime (UNODC) and the Organisation for Economic Co-operation and Development (OECD) explained how the global illicit economy is becoming increasingly flush with cash derived from a wide spectrum of illicit activities: narcotics, kidnapping-for-ransom, arms trafficking, human smuggling and trafficking, the trade in stolen and counterfeit goods, bribery, and money laundering. According to some estimates, the illicit economy accounts for 8 to 20 percent of world GDP. The wide availability of unregulated cash creates opportunities for illicit actors and networks of every persuasion to tap into the global illicit economy to finance their operations and campaigns.

The UNODC Regional Representative further informed the group of the UNODC's recent 2013 assessment of the transnational organized crime threat in the East Asia and Pacific region, including how criminal enterprises have developed alongside legitimate commerce in recent

years, creating contraband markets valued at approximately US\$90 billion, including extractive industries such as the illegal harvesting and trafficking of wood-based products and wildlife, valued at US\$17 billion and US\$2.5 billion, respectively. In addition, the UNODC representative highlighted how the UN Convention against Transnational Organized Crime and its Protocols, as well as the UN Convention against Corruption, provide useful platforms for establishing a normative framework to guide efforts towards capacity-building and the strengthening of regional partnerships.

Other presentations from the World Customs Organization (WCO) and the APEC Business Advisory Council (ABAC) outlined additional harms and impacts of illicit markets and how corruption fuels and facilitates cross-border illicit trade flows, distorts markets, raises the cost of doing business, and diverts legitimate revenues.

From a social and sustainable perspective, the panelists also highlighted how corruption and illicit trade impact every facet of our lives from the environment in which we live to our health, prosperity, and security, including how:

- Dumping toxic waste contaminates our food and water supplies;
- Illegal logging and deforestation exacerbate climate change and affect habitats for endangered and protected species;
- Poaching and trafficking of endangered wildlife for the production and use of traditional medicines destroy finite resources and ecosystems, robbing governments and citizens of their natural assets;
- Counterfeit pharmaceuticals endanger public health, as well as the lives of individuals, denying the sick effective treatment and allowing deadly diseases to mutate and become untreatable; and
- Trafficking in persons violates individuals' basic rights and freedoms, emaciating communities and stunting their economic potential and political development.

There was consensus that illicit trade is a barrier to economic growth and that legitimate commerce loses out as illicit trade expands given how it stymies legitimate markets, sabotages global supply chains, depletes natural resources, and endangers market security. Pathfinder Dialogue participants agreed that if APEC and ASEAN economies are serious about expanding economic growth and financing market booms, all regional and international partners need to work together to shut down the illegal economy and illicit markets.

Countering Corruption and Money Laundering

Over 40 government and law enforcement officials and representatives from international organizations and civil society engaged in a series of sessions dedicated to exploring the need for greater cooperation and collaboration between anti-money laundering (AML) authorities and anti-corruption agencies in the effort to combat illicit trade. Understanding that all forms of illicit trade are essentially transnational in character, the focus of the initial sessions was to assess the effectiveness of existing national and regional initiatives to disrupt human trafficking, environmental crime, and other forms of illicit trade.

Participants identified that an adequate legal basis for substantive cross-border collaboration and information exchange exists under present treaties, conventions and memorandums of understanding (MOUs). A representative of the Egmont group cited the accessibility of the Egmont Secured Web for exchange of financial information relating to tracing and interdicting the proceeds of illicit trade networks. A representative of the Asia/Pacific Group on Money Laundering's (APG) Secretariat explained the function and structure of the APG and its role in promoting greater sharing of information and collaboration between FIUs in the region.

In the course of the dialogue, there was general consensus that routine cooperation between national FIUs and anti-corruption agencies is ad hoc and rarely occurs in many economies. Further, the group concurred that methods and means for cross-border exchange of criminal intelligence and investigatory information are limited and insufficient to effectively combat trans-national criminal networks.

Participants expressed that formal mutual legal assistance processes can be time-consuming and impractical for time-sensitive dynamic investigations, while methods for informal information exchange and collaboration are ad hoc and often limited by the number, type, and permanence of investigating officials' contacts with counterparts in other countries. Presentations on existing networks by Interpol and UNODC representatives outlined and demonstrated the effectiveness of global networks. Some participants expressed that a more routine and structured exchange, similar to the Egmont Secure Web, would be valuable in enabling anti-corruption authorities and law enforcement officials working on illicit trade cases in the region to exchange intelligence and investigative information to conduct and collaborate on cross-border investigations and asset tracking and seizure.

In discussing the potential synergies that could result from greater collaboration between anti-money laundering authorities, anti-corruption authorities, and law enforcement officials, participants agreed that developing and conducting inter-disciplinary investigations that combine intelligence, financial information, and jurisdictional authority would significantly improve the effectiveness of illicit trade and corruption-related investigations. Many participants acknowledged that the limited scope of their authority or functions makes it difficult to take on large and complex cases without the assistance of the other law enforcement agencies. The ability of FIUs to easily request and obtain financial information from other countries is viewed as particularly helpful.

In the final session that explored the options for more structured networking and collaboration between AML authorities, anti-corruption authorities, and law enforcement officials, a number of suggestions and next steps were identified, including:

- Executing inter-agency MOUs for greater routine access to suspicious transaction reports and cash transaction reports collected by national FIUs;
- Outreach to the APG to develop typologies on illicit trade and attendant corruption for sharing among FIUs in the region;
- The need to follow-up these discussions with activities to identify regional opportunities for more structured and routine information and criminal intelligence exchange;

- The need to develop a platform for the organization and conduct of joint and collaborative investigative efforts to combat cross-border crime and money laundering.

Countering Corruption and Trafficking In Persons (TIP)

Over 50 government and law enforcement officials and representatives from international organizations and civil society participated in the sessions dedicated to addressing corruption and human trafficking. Specifically, participants shared knowledge on linkages between corruption and trafficking; responses to TIP-related corruption given challenges and current capacities; and strategies and countermeasures to more effectively address TIP-related corruption.

First, drawing upon case examples and observations, participants noted that corruption facilitates all phases of the transnational trafficking process, from the recruitment of individuals in the origin country to transportation and exploitation in the destination country. For example, participants described how traffickers pay bribes to utilize fake or unauthorized agencies and documents to recruit victims; how traffickers pay bribes to move victims across borders illegally, including through the use of fake or forged travel documents, the issuance of visas to non-qualified persons, and the non-inspection of vehicles and document; and how traffickers pay bribes to falsify work permits, birth certificates, and obtain and operate premises for exploitation. As noted by one of the keynote speakers, criminals consider corruption a “necessary investment and cost” given the centrality of corruption to their success.

Participants further noted that corruption is a significant factor in the low number of TIP prosecutions and convictions, as corruption impairs the criminal justice system and enables traffickers and those who assist them to operate with impunity. For example, traffickers pay bribes to obstruct investigations, prosecutions, and convictions, including payments to receive warnings about and protection from investigations and raids, to sway prosecutors and judges, and to learn information about victims and intimidate them. Corruption also discourages victims from reporting on and/or testifying against traffickers and complicit officials, and prosecutors often lack sufficient evidence to convict perpetrators for trafficking or corruption. In addition, participants noted that corruption impedes trafficking victims’ rescue, assistance, and return to their origin country, as those responsible for assisting victims may make assistance (basic services, access to vocational training, repatriation and reintegration programs, etc.) contingent on the payment of a bribe.

Yet, despite the fact that these linkages between corruption and TIP are widely recognized, participants noted the absence of strategies or approaches to tackle the crime of corruption and the crime of human trafficking conjunctively. Moreover, while some jurisdictions have successfully prosecuted high-level officials for TIP-related corruption, participants agreed that more needs to be done to address TIP-related corruption and identified challenges that need to be addressed, including: weak rule of law and low salaries that contribute to widespread corruption; weak enforcement of both anti-corruption and anti-trafficking laws, in part due to low levels of capacity; ineffective/non-existent internal accountability mechanisms; institutional and cultural norms that reward seniority and patronage (and discourage and disempower officials from holding one another accountable) instead of rewarding successful performance and ethical behaviour; weak individual moral values; insufficient protections for victims and whistleblowers;

a dearth of concrete data about TIP-related corruption; a lack of information-sharing and a lack of both domestic and international cooperation; and sensitivities that discourage open discussions and collaboration among civil society, international organizations, and anti-corruption and anti-trafficking law enforcement officials.

Drawing upon longstanding and nascent initiatives and practices, participants proposed several measures to address TIP-related corruption and thereby more effectively combat both corruption and human trafficking. Recommendations included measures related to: (1) Integrating anti-trafficking and anti-corruption policymaking and strategic planning to address linkages between corruption and TIP; (2) Encouraging information sharing and collaboration between anti-corruption and anti-trafficking authorities, including through the creation of wider professional networks, joint capacity-building trainings, and the establishment of multi-agency task forces and analysis centers that allow experts from different fields to piece together information to dismantle whole criminal networks, not just individual traffickers; (3) Establishing a culture of integrity and a transparent system that promotes public officials and law enforcement authorities based on successful performance and accountability, including via robust and ongoing integrity awareness training, consistent oversight and inspection practices, and investigations of misconduct; (4) Supporting ongoing ethical and professional training and mentorship at all levels, especially local and municipal officials; (5) Raising public awareness of TIP-related corruption and engaging civil society and the private sector to combat it, including by utilizing technology and providing secure channels for anonymous reporting, developing information-sharing platforms, and training CSOs; and (6) Enhancing data collection.

Countering Corruption and Environmental Crimes

Over 30 participants from international organizations, CSOs, governments, and law enforcement highlighted the international response to combat corruption and wildlife trafficking, discussed case studies and counter measures to various environmental crimes to include rhino and ivory trafficking, and illegal logging.

Environment crime is as a low risk and high reward criminal enterprise. Law enforcement is often poorly resourced and inadequately trained to detect and investigate environment crimes, and penalties imposed are often weak and do not constitute sufficient and effective deterrence. Governments and law enforcement often view environment crime as a conservation issue rather than an illicit activity, one that robs communities of natural resources and is often linked to other criminal activities such as drug and human trafficking, and terrorism. When enforcement pressure is applied to conventional crimes such as the drug trade, increasingly criminals will look to exploit other regulatory vulnerabilities and weaknesses such as those that have existed in the environment related enforcement area.

Participants in this group agreed that the threats and challenges to combat environmental crimes and wildlife trafficking and the role of corruption in facilitating these crimes are complex and varied. As standard of living improves in producer countries for wildlife, the trade patterns are shifting from being export dominated to domestic trade. Trade patterns and trends for intra-regional, inter-regional and international markets need to be monitored to support national enforcement efforts. All stages of the illegal wildlife trade need to be targeted from the poaching

through to the trafficking and ultimately the smuggling and trade into demand countries where these commodities attract much higher prices than where initially extracted. The panel of experts also highlighted the importance of intelligence led investigations which requires effective information exchanges both domestically and internationally to ensure an effective enforcement response. Efforts to understand the challenges of cross border trade need to be made for illegal wildlife trade, including porous borders, weak institutions, limited resources, and feeble enforcement efforts.

Each country has its own unique domestic legislations that govern its natural resources and environment. There is not a common framework for legality of resource and trade which all stakeholders can use to determine legality of harvest and trade across borders. There is no benchmark or guidelines for environmental legislation that countries can follow. Some guidelines are available under the convention on Biological Diversity and Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), in particular, has a set of guidelines on the scale and scope of legislation for effective implementation of the convention.

Collusion and corruption that occur along the supply chain needs to be carefully monitored and tackled. Illicit trade of wildlife across borders requires strong international cooperation to stem this problem. Illegal wildlife trade requires the support of innovative technologies to monitor the trade, such as container X-rays machines and DNA technology to gather evidence.

Therefore, some challenges identified are finding ways of enhancing inter-agency cooperation at the national and international levels, share information in an open and timely manner, and critical analysis on data should be conducted regularly. The convergence of crimes and the crossover of crimes may result in a higher priority given to wildlife crimes at the international, regional and national levels. A multi-sectoral approach with integrated efforts across all levels and jurisdictions (judicial, investigative, media, and public support) coupled with strong legislative frameworks in place domestically to assist law enforcement to conduct their work is required to combat environmental crime and wildlife trafficking. Governments also need to ensure sustainable solutions for communities facing wildlife trafficking and to protect law enforcement officers on the front lines who are often times outnumbered and with limited resources for protection.

Conclusion

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

The final session of the Pathfinder Dialogue concluded with a roundtable discussion where participants agreed that enhanced coordination and communication between governments,

international agencies, non-governmental organizations, and the private sector are indispensable for effectively disrupting criminal networks and achieving greater operational results.

Tools, trainings, and other activities to promote follow-up to the Pathfinder Dialogue include:

- Marine Investigative Training for ASEAN-WEN and PIF participants at ILEA Bangkok in January 2014;
- Development of Draft Principles to Prevent and Combat TIP-Related Corruption;
- Support for UNODC to research links between trafficking in persons and corruption and organized crime, including by mining UNODC's TIP Case Law Database;
- Support for further development of the Thai TIP-NET Platform;
- Briefing the APEC ACT on the Pathfinder Dialogue at the next ACT meeting in February 2014;
- Planning for APEC Pathfinder Dialogue II to be held in 2014/2015 in an ASEAN member state.

All participants were encouraged to continue developing and sharing ideas and initiatives, and to continue strengthening partnerships and international cooperation.