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UNODC Background Guide

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Agenda 1 - To discuss steps to curb emergence and growth of organised crime groups in Latin America.

What is Organized Crime?

Organized crime is considered to be a changing and flexible phenomenon. Many of the benefits of globalization such as easier and faster communication, movement of finances and international travel, have also created opportunities for transnational organized criminal groups to flourish, diversify and expand their activities. Traditional, territorial-based criminal groups have evolved or have been partially replaced by smaller and more flexible networks with branches across several jurisdictions. In the course of an investigation, victims, suspects, organized criminal groups and proceeds of crime may be located in many States. Moreover, organized crime affects all States, whether as countries of supply, transit or demand. As such, modern organized crime constitutes a global challenge that must be met with a concerted, global response.

What is the current state in Latin America?

Mexico:

Mexico's federal government required all of its 32 states to implement a U.S.-style "adversarial" system of criminal procedures, eliminating its longstanding but flawed "mixed inquisitorial" legal model, as of June 18. More than likely, the transition will be a gradual and difficult one. The nation made the effort amid the mounting ferocity and brutality the country's organized crime groups and cartels impose upon almost every level of its society.

Mexico is seeing a "dramatic" increase in crime and violence in recent years, and both the rate and number of homicides are the highest in the Western Hemisphere, according to a report titled "Drug Violence in Mexico: Data and Analysis Through 2016," released in March by the research institute Justice for Mexico at the University of San Diego.

Many of the killings are the result of clashes among rival drug trafficking gangs, related at least in part to the void created since the capture and recent extradition to the United States of the Sinaloa drug kingpin Joaquin "El Chapo" Guzman, according to the report. Guzman, who was arrested last year after escaping from a Mexican maximum-security prison in 2015, is in federal custody in New York and could face a life sentence on charges that include murder, racketeering, and drug trafficking.

During the administration of former President Felipe Calderon from 2006 to 2012, Mexico recorded more than 121,000 murders, or about 55 per day. While homicides dropped over the following two years, murder rates picked up by 20 percent in 2016 and grew in 24 of Mexico's 32 states. The top three murder states were Colima (killings up 600 percent), Nayarit (up 500

percent) and Zacatecas (up 405 percent) where organized crime groups are vying for control over drug production and trafficking. Seven serving or former mayors were assassinated in Mexico in 2016, as were 11 journalists, Justice for Mexico reported.

“What is particularly concerning about Mexico’s sudden increases in homicides in recent years is that much or most of this elevated violence appears to be attributable to ‘organized crime’ groups, particularly those involved in drug trafficking,” the report’s authors stated.

About one fourth to 40 percent of homicides within Mexico “bear signs of organized crime-style violence, including the use of high-caliber automatic weapons, torture, dismemberment, and explicit messages involving organized crime groups,” they wrote.

Beyond the findings of the study, recent media reports suggest the level of violence by organized crime in Mexico is even worse. An analysis by the Mexican media site Animal Politico estimated that OC groups were responsible for six in 10 homicides in Mexico in 2015 and that Mob-connected murders swelled by 47 percent during the first nine months of 2016. In February, Mexico sent 500 military police to the southwestern state of Colima after a sharp rise in violence and killings attributed to a war between the Sinaloa and Jalisco-New Generation cartels.

Major drug cartels have long been considered the center of underground crime in Mexico. But how many of them are still in operation is currently in dispute. Some crime analysts believe the entire nature of organized crime in the country has changed, that the old “cartels” have fallen apart into smaller sub-regional criminal clans, with factions from some cartels uniting with those of others, largely because various cartel bosses have been either killed or imprisoned. Some of these new criminal bands are specializing in multiple offenses (in addition to the usual of trafficking of heroin, methamphetamine, cocaine and cannabis) such as kidnapping, extortion, manufacturing chemical precursors to synthetic drugs and levying a fee, called a “piso,” to permit drugs to be smuggled through their territories.

Brazil

Brazil, with 200 million people, has the largest economy in Latin America at \$1.7 trillion in 2015. It is also among the most violent countries in the world with about 27 murders per 100,000 people as of 2011. Many of those killed are black men lured to join drug gangs in impoverished urban areas. Brazilian military police are killed at one of the highest rates in the world while battling organized crime and street gangs.

The country’s criminal organizations are dominated by three “Comando” (drug trafficking) syndicates, the Primeiro Comando da Capital (PCC), Comando Vermelho and Amigos dos Amigos. These groups are in on sales of cocaine, crack and other illegal drugs, as well as Brazil’s enormous firearms trafficking rackets and various illegal businesses. The PCC gang practically runs Brazil’s overcrowded prison system, as advanced by a simultaneous riot it organized in 82 prisons in 2006, which killed 38 military police officers, guards and civilians and triggered a series of unsolved extrajudicial murders by police.

But the bigger story in Brazil is about the criminal rackets run by its own government. In terms of political corruption among government officials and the privileged few around the world, what Brazil is currently going through takes the cake. It involves billions of dollars' worth of cash from kickbacks spread like a dense fog over the country's public administrative and legislative officials.

Brazil has been in the throes of a national political scandal known as "Operation Car Wash" for the past three years. The first domino fell in August, with the impeachment and removal from office of Brazil's unpopular second-term President Dilma Rousseff. Rousseff's forced exit followed allegations that she abrogated budgetary regulations by shuffling government funds from one public agency to another to cover up deficits, a practice she claimed was common among her predecessors.

Then, on April 12, "Operation Car Wash" came to a head. Brazil's Supreme Court authorized an investigation into 108 of Brazil's elected and political elites – including eight cabinet ministers, leaders of the two chambers of Congress, 24 senators, 39 congressional deputies, three state governors and even five former Brazilian presidents. The ruling followed testimony – given in exchange for plea bargains — by 77 former employees of Odebrecht Construction Group. The company is accused of being the center of a \$2 billion graft scheme with other construction firms seeking favor among Brazilian politicians to win government contracts and weaken regulations. It is Brazil's worst corruption scandal ever.

The debacle is an outgrowth of more than a decade of scandals befalling Rousseff's reformist Workers' Party since it gained power through election majorities in Brazil in 2003. Two years later, a scandal came to light named "Mensalao," where the Workers' Party-controlled government doled out public funds to members of Brazil's Congress in exchange for votes on legislation. It took a while to jell but 25 office holders – some who were leaders of the Workers' Party — and private businessmen were convicted of corruption charges in 2012 after a trial overseen by the Supreme Court.

"Operation Car Wash," broke in 2014. Prosecutors said that Brazilian construction companies overcharged the country's nationally owned oil firm Petrobras for building projects, then oil company executives doled out funds to themselves and members of the Workers' Party and other political parties with millions in cash and campaign contributions. The Workers' Party allegedly used some of the money to fund its election drives. Prosecutors maintain that a major player in the scheme was former Brazilian President Luiz Inacio Lula da Silva, or "Lula," of the Workers' Party, who served from 2003 to 2011. Lula has denied involvement.

At first, Brazil's sitting President Michel Temer, mentioned by some judges in evidence presented, was not among those under investigation, possibly since he has temporary immunity against crimes that occurred before his election as president. But those on the list include Temer's chief of staff and eight of the president's cabinet ministers. So are former Brazilian presidents Fernando Henrique Cardoso, Jose Sarney, Fernando Collor de Mello, Rousseff and Lula da Silva.

Some one-time Odebrecht executives, in sworn testimony, have alleged that Temer himself took part in soliciting a \$3.2 million bribe from them. Separately, according to a court transcript released on April 12, Marcio Faria, a former Odebrecht administrator who is seeking a plea bargain, testified that during a meeting in 2010, Temer requested the construction company give a 5 percent kickback of the value of a Petrobras contract to Temer's Brazilian Democratic Movement Party. The kickback, Faria said, amounted to \$40 million. Faria claimed

that Temer's party later shared about 20 percent of the funds from the alleged kickback with the Workers' Party.

Brazil also suffers financial harm to its economy, amounting to as high as \$40 billion a year, in lost business and government tax revenue from organized criminals who import and sell counterfeit products, such as mobile phones and tobacco, on the black market.

Guatemala

The country has long been known as among the most corrupt – and poorest — countries in the world, in an area it shares with Honduras and El Salvador known as the Northern Triangle. Last year, seizures of cocaine exceeded 10 tons, eclipsing the record set in 1999.

But lately organized criminal conspiracies have reached the highest levels of its elected government. Former President Otto Perez Molina and ex-Vice President Roxana Baldetti remain in jail after resigning in 2015 in an alleged \$130 million bribery, customs and tax fraud conspiracy whereby bribes were solicited and paid so that private businesses could enjoy reduced taxes on products imported into Guatemala. More than 20 people were arrested, including Perez Molina's ministers of customs and tax administration. As many as 60 government employees, private lawyers and import business people were allegedly tied to the scheme.

The outraged Guatemalan public refers to the customs and tax scandal as "La Linea," the line. But prosecutors contend that "La Linea" was only part of a broader conspiracy of bribery and money laundering, one that led Guatemala's two top leaders to acquire \$4.7 million in expensive property and luxuries from public funds arranged by five members of Perez Molina's cabinet who were all charged last year.

Insight Crime, a news website dedicated to organized crime in Latin America, declared that Perez Molina and Baldetti, after their election win in 2011, "set up what can only be called a Mafia state in which they employed various parts of the government to service corruption and criminal schemes."

An investigation by the U.N.-supported International Commission Against Impunity in Guatemala (CICIG), formed with the help of the United States to expose and prosecute political corruption and joined by the country's Attorney General Thelma Aldana, offered up wiretaps that the prosecution claims incriminate both former leaders in spearheading the plot. An alleged member of the conspiracy testified that Perez Molina and Baldetti took about one-fifth of the proceeds of the bribes that amounted to more than \$300,000 a week.

More damaging revelations for Perez Molina and Baldetti have emerged, as prosecutors accuse them of taking \$38 million in kickbacks from 2009 to 2015 in exchange for support for about 70 public works contracts in the country. Baldetti, they said, traveled to Miami and spent about \$40,000 on liposuction surgery and expensive clothing, while Perez Molina purchased a farm. Perez Molina's allegedly corrupt cabinet ministers, after receiving parts of the booty, gifted their boss a boat, helicopter and beach house, while Baldetti collected a second home on an island off the coast of Honduras.

Further, prosecutors said the two obtained a \$30 million bribe from a Spanish shipping company in exchange for granting it an exclusive contract to manage Guatemala's largest shipping port, and then the pair attempted to launder the money.

Honduras

As with Guatemala, Honduras is fighting corruption in the highest echelons of a troubled government that saw its president forced out in a military coup in 2009. The latest developments there come via accusations by Devis Rivera Maradiaga, the jailed former boss of the Cachiros drug trafficking consortium, during his federal court trial in New York in March. The Cachiros crime group, with an estimated \$1 billion in assets, for years afflicted Honduras by using the country as a route to transport cocaine the group bought from Colombian drug lords for sale to traffickers in Mexico. But in 2015, two of its top men, Rivera and his brother Javier, fearing for their lives in Honduras, agreed to be arrested by the U.S. Drug Enforcement Administration and extradited to the United States to stand trial on drug trafficking charges.

Rivera testified that he directly paid multiple bribes of up to \$300,000 to Honduran politician Porfirio Lobo Sosa while Porfirio Lobo sought the country's presidency following the 2009 coup and after the candidate won the election and took office. Further, Rivera claimed then-President Porfirio Lobo sent his son, Fabio Lobo, to facilitate the trafficking of tons of cocaine across the country by the Cachiros by procuring a bribe to benefit former Honduran general Julian Pacheco Tinoco, who served as an official security adviser to Porfirio Lobo.

Former President Porfirio Lobo has strongly denied the ex-crime boss' allegations, and the office of Pacheco Tinoco, who now heads Honduras' Security Ministry, maintains that Riviera told made-up stories in the U.S. court as a bargaining chip for a better sentencing deal.

Rivera also testified that a member of the Honduran Congress solicited a bribe from him on behalf of current President Juan Orlando Hernandez's brother so that Riviera would secure government road and maintenance service contacts to businesses owned by the Cachiros crime boss and his family that are fronts for the group's drug racket.

The Cachiros made news again in late March when the Honduran media reported that the organized crime group took advantage of more than two dozen public rebuilding projects to repair damage wrought by tropical storm Agatha in 2010. They allegedly laundered about \$6.4 million through family-owned businesses hired by the Honduran government to do the construction work.

Why is Latin America a hub for organized crime?

Latin America is particularly susceptible to pockets of crime because of its speedy urbanization. Its cities grew faster than in most other parts of the world during the past 50 years, according to the Economist. By 2000, three-quarters of the population lived in towns and cities. That is about double the proportion in Asia and Africa.

As the Economist explains, "that move from the countryside concentrated risk factors for lethal violence — inequality, unemployed young men, dislocated families, poor government services, easily available firearms — even as it also brought together the factors needed for economic growth.

Police are not much help. The Igarape report's authors say that there often are not enough officers, particularly in high-crime areas. Sometimes, officers are themselves involved with organized crime (or, at the very least, willing to look the other way.) Unsurprisingly, a majority

of murders go unsolved. In some parts of Latin America, just one in 20 reported murders are ever solved.

“In many parts of Latin America, homicide reduction is still not accorded a high priority. As a result, police departments may not prioritize investigations, including of capital crimes,” wrote Robert Muggah, the co-founder and research director of the Igarapé Institute, in an email to The Washington Post.

As a result, public trust in police is quite low. The rich and connected often circumvent the public-safety system entirely, hiring private security guards instead. In Latin America, there are more private-security employees than there are police officers.

There are other key problems, including gangs and gang-related violence. “Organized crime and related illegal economies are a prime driver of violence in Latin America and the Caribbean,” explained InSight Crime, an organization that researches crime in Latin America, earlier this year. This helps explain why the victims are overwhelmingly male (at least 80 percent) and young (the majority are between the ages of 15 and 29).

This violence translates to widespread fear among citizens. More than a third of all Latin Americans reported being a victim of violent crime in 2016, according to the report. In some countries, like Venezuela and Mexico, nearly half of the population suffered a violent crime in the last year.

Violent crime is not a new problem in Latin America. But the numbers in the Igarapé Institute's latest report suggest a crisis that has gone unaddressed for far too long.

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Agenda 2 - To address the issue of money laundering and trafficking of persons with emphasis on the Middle East and to strengthen existing mechanisms for the same.

What is money laundering?

Money laundering is the process of creating the appearance that large amounts of money obtained from criminal activity, such as drug trafficking or terrorist activity, originated from a legitimate source. The money from the illicit activity is considered dirty, and the process "launders" the money to make it look clean.

Money laundering is essential for criminal organizations who wish to use illegally earned money effectively. Dealing in large amounts of illegal cash is inefficient and dangerous. The criminals need a way to deposit the money in financial institutions, yet they can only do so if the money appears to come from legitimate sources.

There are three steps involved in the process of laundering money: placement, layering and integration. Placement refers to the act of introducing "dirty money" (money obtained through illegitimate, criminal means) into the financial system in some way. Layering is the act of concealing the source of that money by way of a series of complex transactions and bookkeeping tricks. Integration refers to the act of acquiring that money in purportedly legitimate means.

There are many ways to launder money, ranging from simple to complex. One of the most common ways to launder money is through a legitimate cash-based business owned by a criminal organization. For instance, if the organization owns a restaurant, it might inflate the daily cash receipts to funnel its illegal cash through the restaurant and into the bank. Then they can distribute the funds to the owners out of the restaurant's bank account. These types of businesses are often referred to as "fronts."

Another common form of money laundering is called smurfing, where a person breaks up large chunks of cash into multiple small deposits, often spread out over many different accounts, to avoid detection. Money laundering can also be done through the use of currency exchanges, wire transfers, and "mules" or cash smugglers, who smuggle large amounts of cash across borders to deposit them in offshore accounts where money-laundering enforcement is less strict. Other money-laundering methods involve investing in commodities such as gems and gold that can be easily moved to other jurisdictions, discretely investing in and selling valuable assets such as real estate, gambling, counterfeiting and creating shell companies.

While traditional money-laundering methods are still used, the internet has put a new spin on an old crime. The use of the internet allows money launderers to easily avoid detection. The rise of online banking institutions, anonymous online payment services, peer-to-peer transfers using mobile phones and the use of virtual currencies such as Bitcoin have made detecting the illegal transfer of money even more difficult. Moreover, the use of proxy servers and anonymizing software makes the third component of money laundering, integration, almost impossible to detect, as money can be transferred or withdrawn leaving little or no trace of an IP address.

In many ways, the new frontier of money laundering and criminal activity lays in cryptocurrencies. While not totally anonymous, these forms of currencies are increasingly being used in currency blackmailing schemes, drug trade and other criminal activities due to their anonymity compared to other forms of currency.

Money can also be laundered through online auctions and sales, gambling websites and even virtual gaming sites, where ill-gotten money is converted into gaming currency, then transferred back into real, usable and untraceable "clean" money.

Anti-money-laundering laws (AML) have been slow to catch up to these types of cybercrimes, since most AML laws attempt to uncover dirty money as it passes through traditional banking institutions. As money launderers attempt to remain undetected by changing their approach, keeping one step ahead of law enforcement, international organizations and governments are working together to find new ways to detect them.

What is the financial impact of money laundering?

According to a 2016 survey from PwC, global money laundering transactions account for roughly 2% to 5% of global GDP, or roughly \$1 trillion to \$2 trillion annually.

Although the act of money laundering itself is a victimless, white-collar crime, it is often connected to serious and sometimes violent criminal activity. Being able to stop money laundering is, in effect, being able to stop the cash flows of criminals, including international organized crime.

Money laundering also impacts legitimate business interests by making it much more difficult for honest businesses to compete in the market since money launderers often provide products or services at less than market value. Where a financial institution or business is also regulated by the government, money laundering, or a failure to put reasonable anti-laundering policies in place, can result in a revocation of a business charter or government licenses.

Businesses that associate with people, countries or entities that launder money face the possibility of fines. Deutsche Bank, ING, the Royal Bank of Scotland, Barclays and Lloyds Banking Group are among institutions that have been fined for being involved with transactions associated with money-laundering activities in countries such as Iran, Libya, Sudan and Russia.

In one famous money-laundering case, international bank HSBC was fined for a failure to put proper anti-money laundering measures in place. According to the U.S. federal government, HSBC was guilty of little or no oversight of transactions by its Mexican unit that included providing money-laundering services to various drug cartels involving bulk movements of cash from HSBC's Mexican unit to the United States. The government said HSBC failed to maintain proper records as part of its AML measures. This included a huge backlog of unreviewed accounts and a failure by HSBC to file suspicious activity reports. After a year-long investigation, the federal government indicated HSBC had failed to comply with U.S. banking laws and consequently subjected the United States to Mexican drug money, suspicious traveler's checks and bearer share corporations. In 2012, the bank agreed to pay \$1.92 billion in fines to U.S. authorities.

What is the current situation in the Middle East?

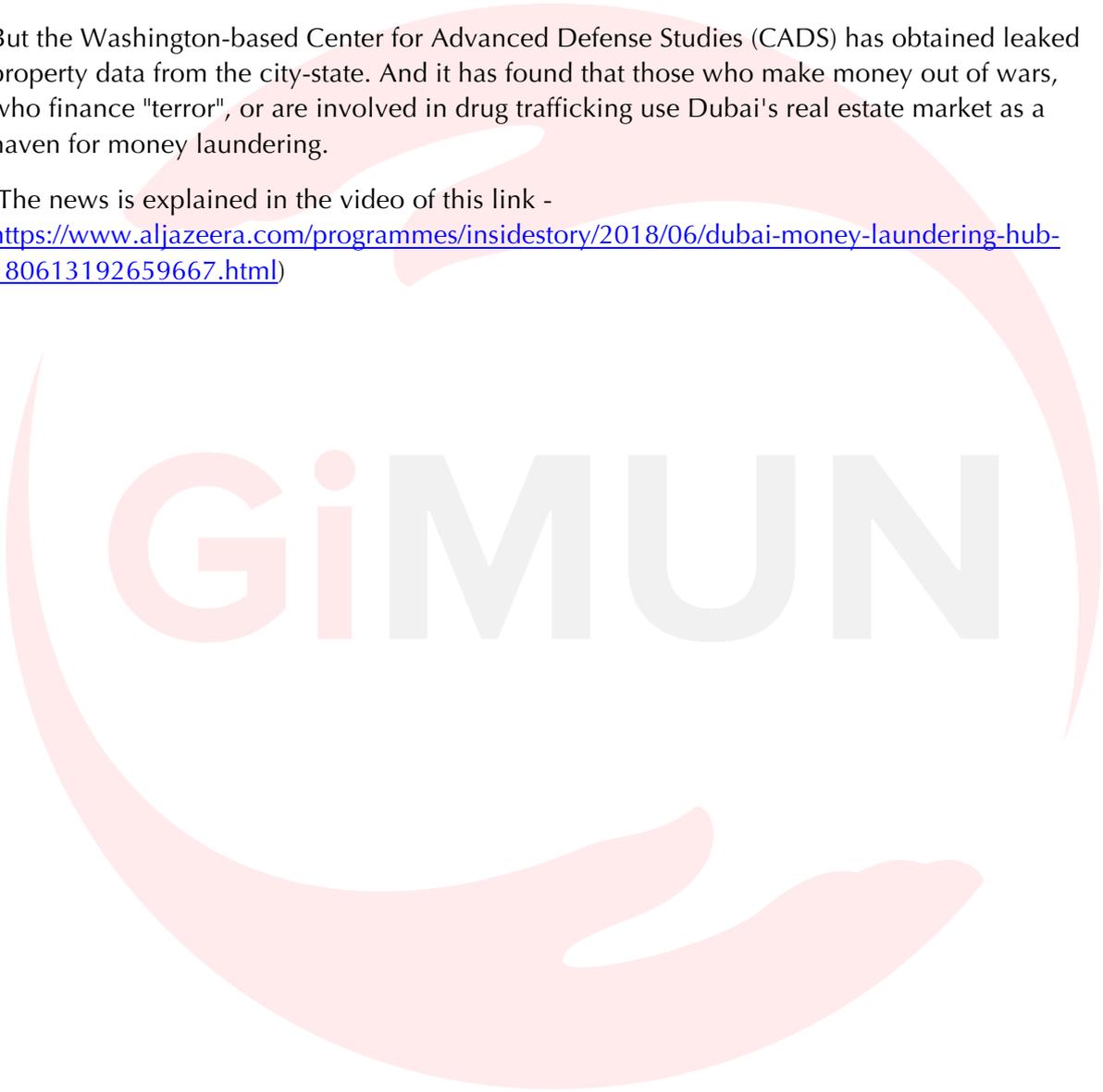
With its skyscrapers, luxury villas and a high concentration of millionaires and billionaires, Dubai's rise to global city and business hub has captured the world's attention.

It's one of seven emirates that make up the United Arab Emirates (UAE) an absolute monarchy long ruled by the Al Maktoum family. The rapid development of the city has made it one of the fastest growing economies in the world.

But the Washington-based Center for Advanced Defense Studies (CADS) has obtained leaked property data from the city-state. And it has found that those who make money out of wars, who finance "terror", or are involved in drug trafficking use Dubai's real estate market as a haven for money laundering.

(The news is explained in the video of this link -

<https://www.aljazeera.com/programmes/insidestory/2018/06/dubai-money-laundering-hub-180613192659667.html>)



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