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Alliance against Trafficking in Persons

Joint OSCE-UNODC Expert Seminar on
“Leveraging Anti-Money Laundering Regimes
to Combat Human Trafficking”

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Opening Speech

Dear Secretary General,
Dear Lithuanian Chair,
Excellencies, colleagues, and friends,

First of all, I would like to warmly welcome the UNODC team, our *Alliance* partner, and thank them for participating in the preparation of this ground-breaking event. It has been a long joint venture, and now it is being successfully accomplished. We are opening a new page in the fight against modern-day slavery, by addressing its final stage, crucial for the criminals, actually targeting to undermine the ultimate aim of the crime – its illicit profit, which (allegedly) amounts to USD 32 billion per year¹. It is invested in legal businesses, real estate, is used for corruption, spent on other criminal operations, or spent on the luxurious life of the criminals. Criminal assets are even used to recruit future suicide bombers for terrorist operations through fake promises to pay their families. Criminal assets are invested into other forms of trafficking, and many other related crimes.

I am confident that strong and co-ordinated measures to combat money laundering are a powerful instrument in the fight against the crime of human trafficking. We are here to find better ways to trace the dirty money flows, and to use them for strengthening anti-trafficking measures and for restoring the victims' rights. Let me reiterate in this regard what the OSCE's human rights-based approach in the fight against human trafficking is about. It is about the rights and dignity of a human being, the quintessence of all our anti-trafficking actions, not only in the areas of protection and prevention, but in the prosecution as well. The human being is at the centre of this approach, and we do remember this when we talk about related crimes, including money laundering. We do believe that confiscation is the necessary condition to ensure effective deterrence of trafficking in human beings (THB), which is a profit-led crime, and simultaneously to ensure actual compensation to the victims. Moreover, confiscated assets could eventually be used to foster state funds, and to promote better anti-trafficking action including capacity building of law enforcement and services for victims.

¹ Shelley, L., *Human Trafficking: A Global Perspective* (Cambridge University Press: New York, 2010); Council of Europe (CoE), European Committee on Crime Problems (CDPC) and Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL), *Proceeds from Trafficking in Human Beings and Illegal Migration/Human Smuggling* (2005).

Access to justice and compensation to trafficked persons are among the priorities of my office and the ODIHR, which has developed related action in co-operation with NGOs. This is why today we have Ms. Marieke van Doorninck from La Strada International with us, a strong advocate for victims' rights, and Ms. Sara Dixon, Co-Chair of the NGO "STOP THE TRAFFIK".

We are not alone in our mission. We are honoured by the participation of the Financial Action Task Force to Combat Money Laundering and Financing of Terrorism, FATF, and I would like to greet Mr. Colin Powell, the Co-leader of the FATF Report of 2011, directly related to the subject of our seminar, the report on "Money Laundering Risks Arising from Trafficking in Human Beings and Smuggling of Migrants"². I am also delighted to warmly welcome Ms. Sylvie Jaubert, Chargée de mission, TRACFIN, France, who contributed a lot to the preparation of this Report.

The "FATF 40 Recommendations", well known to this audience, start with stating that "money laundering methods and techniques change in response to developing counter-measures. In recent years, the FATF has noted increasingly sophisticated combinations of techniques"³. We do see the same trend in human trafficking which constantly changes its *modus operandi*, uses sophisticated methods to recruit its victims and to corrupt officials, broadens areas and forms of exploitation, and globally shows no signs of diminishing. Considerable achievements in a number of countries, unfortunately, do not change the overall picture.

The amount of successful prosecutions and convictions of criminals remains strikingly low in comparison with the millions of innocent victims of modern-day slavery. The 2011 US Trafficking in Persons (TIP) Report provides us with the Global Law Enforcement Data of just 6,017 prosecutions and 3,619 convictions reported in 2010. This is a worrying trend, especially if we take a look at the dynamics of victims identified (49,105 in 2009 vis-a-vis 33,113 in 2010) and the decreasing number of convictions (from 4,166 to 3,619).⁴

Other risks factors are the slow-down in the global economy which could result in a massive jobs shortfall among G20 members by next year, and this is the main message from the International Labour Organization (ILO) to the G20 (published in a joint study prepared with the Organisation for Economic Co-operation and Development (OECD) at the request of the G20 for its labour ministerial meeting in Paris on 26-27 September 2011)⁵. The study warns that if employment grows at a rate of just under one per cent (0.8) until the end of 2012 (which is actually the case), it will result in a 40 million job shortfall in G20 countries next year and a much larger shortfall by 2015.⁶

The second wave of the global economic and financial crisis, which is being predicted these days by international experts, adds to our expectation of extremely high vulnerability of potential victims of human trafficking. How many of them are there now, among 200 million

² <<http://www.fatf-gafi.org/dataoecd/28/34/48412278.pdf>>, accessed 30 September 2011.

³ FATF 40 Recommendations (October 2003), <<http://www.fatf-gafi.org/dataoecd/7/40/34849567.PDF>>, accessed 30 September 2011.

⁴ US State Department, Office of the Under Secretary for Democracy and Global Affairs and Bureau of Public Affairs, *Trafficking in Persons Report* (June 2011), p. 38. .

⁵ <http://www.ilo.org/global/about-the-ilo/press-and-media-centre/news/WCMS_163835/lang--en/index.htm>, accessed 30 September 2011.

⁶ Ibid.

jobless women and men? How many will be there, in 2015, if we don't take immediate action? Even without a crisis at the gates, according to ILO estimates, there are at least 2.4 million trafficked persons at any given point in time, and over 12.3 million persons in forced labour.⁷ Now compare these alarming figures with 607 prosecutions (out of 6,017) globally related to human trafficking for labour exploitation and 237 actual convictions (out of 3,619) for the same type of the crime.⁸

Human trafficking continues to be a low risk-high profit crime, and this is why we do have to address and discourage any effort to make the criminal assets legal, to permit criminal money to infiltrate legal economies and bring even bigger profit to the gangs of traffickers. No doubt, in the troubled waters of the crisis, the criminals will do their utmost to make more profit, to recruit more victims, to launder more money. We have to prepare for this scenario.

With the FATF, as well as with the UNODC and other *Alliance* partners, we are on the same page pointing to the so-called “Designated categories of offences” and trafficking-related crimes. Among them, besides human trafficking, we list: participation in an organized criminal group and racketing, terrorism, corruption and bribery, fraud, kidnapping, illegal restraint and hostage-taking, forgery, market manipulation, murder, counterfeiting of products, trafficking in drugs, and other serious forms of crime. The range of offences linked to human trafficking is, unfortunately, “open-ended”. They do not exist in isolation, they are inter-related, they feed into each other, and they have to be tackled as a package. Mere ignoring or omitting just a small element in the continuum of the crime of human trafficking, may break the whole chain of proof, undermine the prosecution and lead to impunity. And Money Laundering is not “a small element”. It is a serious secondary crime in itself and the stage which serves as the driving force. It is the crime which undermines the economic security of states, influences the legislative process, and strengthens shadow businesses and the black market.

This is why we have to address the predicate and the secondary crimes comprehensively and insist that THB cannot be successfully prosecuted if we are missing the money laundering component. In this regard, let me refer to the report on “Combating Predicate Crimes Involved in Money Laundering” stating that “enforcement efforts have yet to make money laundering a particularly risky business”⁹. Let's be realistic, we have a long way ahead, but we don't have any other alternative.

Today we intend to focus strongly and clearly on the risks of money laundering arising from trafficking in human beings, for the following reasons. The analysis of THB-related prosecutions manifests a worrying trend of failures to chase the money. The amount of Money Laundering-THB cases is not commensurate with the actual situation. Does it mean that THB-related money, those USD 32 billion, goes nowhere? Or can't be detected? Or does it mean that the Money Laundering cases which are actually prosecuted have no connection with the predicate crime of human trafficking? Or are not considered as such? Where is it that the chain of investigation breaks?

⁷ International Labour Office (ILO), *A Global Alliance against Forced Labour* (Geneva, 2005).

⁸ US State Department, Office of the Under Secretary for Democracy and Global Affairs and Bureau of Public Affairs, *Trafficking in Persons Report* (June 2011), p. 38.

⁹ Combating Predicate Crimes Involved in Money Laundering, <http://www.iie.com/publications/chapters_preview/381/5iie3705.pdf>.

This breach between ML and THB prosecutions contributes to the well-being of the criminals and their organizations. Yes, we know that tracing, freezing, seizing and confiscation, the entirety of a financial investigation is hard to accomplish. Criminals use sophisticated methods, different names, different bank accounts to hide the profit, they force THB victims to transfer the money to their countries of origin under strict control and with no hope of getting access to this money when they are back. This complexity makes it even more relevant to discuss how we can overcome the obstacles which hamper investigation and prosecution of the trafficking crime and of the subsequent money laundering, and the obstacles which make it difficult to gain back what was taken away from victims in the form of unpaid salaries, fake debts posed upon them, other forms of profit from human exploitation. And how we can make a better use of this money to compensate the injustice and harm suffered by the victims?

Let me get back to the major source of inspiration of today's event, the presentation of the FATF report on the risks of money laundering arising from THB and the smuggling of migrants. Dear Colin, it is all yours, and I will not go into the details of the report. But I would stress one single feature which reflects the shortages in our data collection. The majority of the 12 case studies included in the Report (Annex 1) are related to THB for sexual exploitation, only 2 of them come from THB for labour exploitation, and one – from child trafficking. You can easily see the correlation with the global law enforcement data of prosecutions and convictions, the vast majority of them being related to trafficking for sexual exploitation.

The FATF team could work only with the data provided by the countries concerned, and this observation means that the attention paid to THB for forced labour and labour exploitation is still significantly less than the actual proportion of these two forms of the crime, and that money laundering from trafficking in human beings for labour exploitation has to be addressed more vigorously by the participating States.

Thanks to the latest FATF report, we are aware of this final stage of the crime a lot more than before. We know much more about the features of THB-related money laundering, such as predominant use of cash, use of money service businesses in informal banking systems, reinvestment in real estate-related activities, and the purchase of cars. Countries should also be aware of other very specific manifestations of money laundering, such as the use of the victims to perpetrate the laundering operations, the use of front companies and cash-intensive businesses, and many others.

My Office has raised these issues in our publication “Analysing the Business Model of Trafficking in Human Beings to Better Prevent the Crime”¹⁰ which has been recently translated into Russian and is now available for the Russian-speaking experts. We noted the same list of ways and means to launder the money. To protect the profit, traffickers operate smartly and minimize risk by splitting their financial gains into different investments. Transfer of funds may occur by bank transfer, but for the most part it is done through informal channels, via personal transfers or couriers – persons travelling back to the home country may take the criminal proceeds as cash.¹¹ Profits are huge and, for example, in the

¹⁰ <<http://www.osce.org/cthb/67434?download=true>>, accessed 30 September 2011.

¹¹ Interview G. Jozst, Austria.

case of an international trafficking ring operating in Europe between 2002 and 2006, Eurojust estimated profits at approximately EUR 10 million.¹²

Three patterns were identified by leading anti-trafficking experts, authors of the OSCE/UN.GIFT research “Analysing the Business Model of Trafficking in Human Beings to Better Prevent the Crime”¹³. Either 1) money is sent back to the country of origin of the traffickers where it is often invested in legal businesses such as restaurants, bars, or property such as apartments or houses;¹⁴ 2) the money is used to support a lavish lifestyle; or 3) it is (re-)invested in other criminal or legitimate activities in the destination country. While there is only limited information on the financial gains and investments from the cases analysed in this study,¹⁵ examples of all three patterns can be found.

Investigators in the Netherlands were able to calculate the profit generated by two traffickers from a number of victims. One of the traffickers earned EUR 13,480 in profits per month on four victims (for a total of EUR 94,361), while the second earned EUR 219,707 in the 14 months during which three women were forced to work in prostitution. The money was spent on themselves (often for membership in gyms, on drugs and gambling) and on the victims (food, clothes). Some of the money was allegedly transferred to an account in Central Europe. In another case, profits were spent on expensive watches, cars, restaurants and gambling and maintaining a luxurious life style.

Officers in the United Kingdom were able to trace bank deposits from a trafficker between June 1999 and October 2002 amounting to GBP 204,396. Large amounts were transferred abroad through Western Union and through the offender’s own account. Limited amounts were transferred back to the families of the victims. The offender maintained a lavish lifestyle travelling extensively, purchasing designer clothes and expensive cars.¹⁶ In another case, a Nigerian group of traffickers allegedly managed to make a minimum of EUR 4 million from the 80 Nigerian victims who were forced into prostitution. Traffickers disclosed by Dutch officials generated a profit of EUR 19 million by forcing over 100 women into prostitution. Assets of over EUR 900,000 belonging to the main trafficker were seized in Turkey, and Turkish authorities are co-operating with their Dutch counterparts in carrying out a financial investigation into the profits generated through the trafficking business in an effort to seize and confiscate the criminal proceeds.¹⁷ This case is clearly an example of a good practice which however remains more the exception than the rule.

Against this shocking data of the amount of money “earned” and transferred, what are the needs in terms of capacity and quality of investigation, both concerning the predicate offence and the subsequent laundering?

¹² Eurojust, *Annual Report 2007* (The Hague, 2008), p. 35, <http://www.eurojust.europa.eu/press_releases/annual_reports/2007/Annual_Report_2007_EN.pdf>, accessed 31 March 2010.

¹³ OSCE OSR and UN.GIFT, *Analysing the Business Model of trafficking in Human Beings to Better Prevent the Crime* (2010), <<http://www.osce.org/cthb/69028>> (available both in English and Russian).

¹⁴ Interview G. Joszt and R. Idinger, Austria: Nigerian traffickers (madames) often invest the money back home, e.g., in property; Interview J. Reiterer, Austria.

¹⁵ It is possible that more information is available in the police or prosecution case files but was not available in the materials used for this study.

¹⁶ Regina v Luan Plakici, Court of Appeal, United Kingdom.

¹⁷ M. Van Dongen, “Saban B. leeft in luxe in Turkije”, de Volkskrant, 16 January 2010, p. 3.

We need to develop better conditions for more effective international law enforcement and judicial co-operation, to ensure that there is no safe haven for the criminals in the OSCE area. And we have to look far ahead, taking into account the global trends of economic development, modern technologies, the growing market for migrant labour, demographic trends, other crucial factors influencing the power of the rule of law vis-à-vis criminality, the development of modern civilization and eradication of modern-day slavery, strengthening democracy and human rights values. All in all, we are here to ascertain that the final goal, the protection of human beings from modern-day slavery, as well as support and compensation to the actual victims of human trafficking, remains at the centre of all anti-trafficking measures, and anti-money laundering regimes serve as a powerful tool to achieve this goal across the OSCE region.

Let me wish you all the success in accomplishing our mission together.