Business Intelligence and Illegal Trade

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Yes, it is true that one can go online today or visit some nondescript street corner in any major city and "buy" a new liver for a transplant; order a call girl of a specific age, ethnicity and color of hair; arrange for a shipment of illegal drugs; or provide instructions to terrorists-in-training on how to make a biological weapon of mass destruction. These activities, and others even more repugnant, are part and parcel of the world of illegal transactions that in many ways characterize the advent of the 21st century.

In a brilliant new book called _Illicit_, Moises Naim, editor of _Foreign Policy_ magazine, provides fresh new thinking into one of the most disturbing consequences of the process of globalization – the explosion in illegal trade. In effect, the book's subtitle – _How Smugglers, Traffickers and Copycats are Hijacking the World Economy_ – starts to address the nature of the problem itself.

Several very significant insights are gained from the book, right off the bat. Of these, there are four that I'd like to single out. First, whatever our feelings and emotions about them, these transactions are first and foremost trade and hence obey market forces just like any other business pursuit. Illegal or not, prices for an individual to be delivered inside the U.S. border, or for a kilo of powdered rhinoceros horn or for a compatible kidney are still determined by supply and demand.

Second, the market is influenced very drastically by the differences in treatment for a specific product – legal, social, economic, cultural, law enforcement, etc. – across national borders. In effect, high wages in the U.S. and low wages in Mexico create a market for cheap labor to be imported across the border. There's nothing illegal per se in that statement of labor market behavior; but if there is no legal way for the transactions to take place, then the potential for profit becomes a huge incentive for illegal traffickers to step in. While we may make extensive efforts to "secure the border," this will be taken into account by the market, and the increased profit potential will facilitate new avenues for the trade.

Precisely because of this, the third insight we draw is that at some price point most government officials, especially in the developing countries, become prey to the traffickers. They can either be bought with the profits that are made, or they can be eliminated by paying enforcers to carry out "trade facilitation" missions. Furthermore, in countries with very weak governments, especially in the so-called failed states, traffickers challenge the established order and, in many cases, provide de-facto governance in all or a part of a nation's physical territory.

Lastly, Naim's analysis emphasizes that the role of networks is paramount. While we could probably map the previous three insights in some way to illegal trade from years and even centuries past – smuggling, piracy, slavery – the major enabling factor of the current problem is the network transformation that we have seen take place simultaneously with the explosion of globalization, particularly after the fall of the Berlin Wall. Networks, according to the dictionary, are basically "groups of people that exchange information, contacts and experience for professional or social purposes." They have been around forever; but the Internet, as a means of communication for these networks to exploit, is a very new phenomenon. As a result, we are seeing that these networks, once in place, permit a host of new functionality that has made it a lot tougher to attack a criminal enterprise. Among these activities are several crucial ones. First, a functioning network will easily expand into new products as they become available and economically interesting to the main actors. Second, the old command-and-control model of the godfather is no longer the norm. Now many semi-autonomous cells emerge to conduct the business of the business. Third, the new technologies have created a fairly robust illegal international financial market. In fact, through the use of credit cards and other financial instruments, actual payments for illicit transactions can be substantially facilitated and are often difficult to detect and prevent. This is so partly because there is a significant blurring of the line that divides the legal and illegal establishments. This is especially so when certain nation states feature legal regimens that make it quite easy to package legal tax havens and offshore banking facilities that often provide legal coverage for illegal enterprises.

So what can be done? In terms of how to address the problem, Naim points to two principles to frame official action: *value reduction* to the traffickers and *harm reduction* to society. The former emphasizes the need to find ways of diminishing the value of the trade to the participants. The latter focuses in the importance of comparing different measures to combat the problem and choosing the ones that harm the community the least. Obviously, there will be much soul-searching on societal issues such as what should be legalized and what not, as well as when and what to attack on the supply side as opposed to the demand side.

And, of course, governments have a key role to play, and they need to set up a common base of cooperation. Where the strong national players cannot agree among themselves on what to do, it is going to be very difficult for the weak countries to be assisted in lifting their own weight. However, many of the institutions that are already in place and focused on compliance must be reinforced. There already has been some crucial work done by institutions such as the banking establishment, as well as some of the recent moves on the part of the Departments of Homeland Security and the Treasury.

It is precisely in this area where business intelligence can and should play a critical role. For starters, as mentioned in my recent article, through social network analysis, we may start to connect the dots of who talks to whom and be able to preempt criminal activities. In addition, finding patterns in the data itself through more classical data mining algorithms, may enable us to obtain insights into the inner workings of the networks and facilitate law enforcement organizations in doing their job. Lastly, business intelligence will always have a key role to play in serving as a platform for decision making as we have to choose between several courses of action. Only if there is a rigorous and methodical analysis of the facts we have at hand, will we

purposefully move in the right direction. And, illicit trade makes it very clear that, at the very least, we have to try.

About the Author

Dr. Barquin is the President of [Barquin International](#), a consulting firm, since 1994. He specializes in developing information systems strategies, particularly data warehousing, customer relationship management, business intelligence and knowledge management, for public and private sector enterprises. He has consulted for the U.S. Military, many government agencies and international governments and corporations.

He had a long career in IBM with over 20 years covering both technical assignments and corporate management, including overseas postings and responsibilities. Afterwards he served as president of the Washington Consulting Group, where he had direct oversight for major U.S. Federal Government contracts.

Dr. Barquin was elected a National Academy of Public Administration (NAPA) Fellow in 2012. He serves on the Cybersecurity Subcommittee of the Department of Homeland Security's Data Privacy and Integrity Advisory Committee; is a Board Member of the Center for Internet Security and a member of the Steering Committee for the American Council for Technology-Industry Advisory Council's (ACT-IAC) Quadrennial Government Technology Review Committee. He was also the co-founder and first president of The Data Warehousing Institute, and president of the Computer Ethics Institute. His PhD is from MIT.

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Editor's note: More articles from Dr. Barquin are available in the BeyeNETWORK's [Government Channel](#).