

Recent regional developments to suppress drug trafficking and the laundering of drug proceeds

I am privileged to address you today at this Foreign Law Enforcement Community in China. In particular I wish to thank them for hosting this important conference.

Origin and Rationale of UN involvement in Anti-Money Laundering

The United Nations have always recognized organized crime as a threat to society by including various aspects of this threat within its international law and its conventions.

The strength of the United Nations' involvement in the area of organized crime can be explained by its long held view that any single country cannot meet alone global challenges, such as the challenge posed by organized crime and money laundering. The United Nations sees its role as a facilitator to increase international cooperation in this field. If countries are to put in place a comprehensive response to organized crime and its activities, including money laundering, domestic legislation has to be coupled with a commitment to cooperate internationally.

It was, however, not until in December 2000, that a universal instrument to criminalize and counteract transnational criminal organizations opened for signature, namely the Convention against Transnational Organized Crime. Up until this point, merely various aspects of organized crime and criminal justice had been addressed by regional and international agreements and organized crime as a whole had not yet been dealt with. State parties to this new universal convention are obliged to adopt domestic laws and practices which will help to prevent or suppress the activity of money laundering as it is related to organized crime. To combat money laundering, countries will have to require their banks to keep accurate records and make them available for inspection by domestic law enforcement officials. The Convention also states that bank secrecy can not be used to shield criminal activities. State parties are also required to take appropriate action to confiscate illicitly acquired assets. Perhaps the most important part of the convention is its extradition provisions ensuring that there are no "safe havens" for the criminals to flee.

Money Laundering was already typified as an international crime 15 years ago. The UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances from 1988 was the first formal international instrument against money laundering. This convention criminalizes the conversion of illicit proceeds deriving from trafficking in drugs. It also includes provisions concerning cooperation in extraditing offences, mutual legal assistance, and transfer of criminal proceeds. There is no single UN convention against money laundering yet, but many organizations have developed best practice principles and international agreements to hinder and punish the laundering of dirty money.

Finally I should mention the UN Convention against the Financing of Terrorism that opened for signatures in the year 2000. The United Nation's work in terms of anti-terrorism was outlined by my colleague Mr. Lemay in his presentation yesterday.

The aim of these UN conventions of international law is to provide the best available tool to combat crime and terrorism beyond national legislation, which obviously has limitations as we are increasingly facing transnational criminal activities. The idea is that the conventions can serve as a model for how to effectively arrange extraditions, mutual legal assistance and joint investigations across national borders. Once they have been ratified and implemented, countries will find it easier and quicker to enable prosecutions and bring the criminals to justice. These conventions have, furthermore, got a symbolic importance as they are a proof of the existing universal will to criminalize transnational crime and terrorism.

Apart from the UN's role in the initiation of new legislation, the promotion of the exchange of ideas and best practice among its member-states are fundamental in terms of combating money laundering. The United Nations drafts model legislation and, thereby, propose recommended laws, but also "softer" methods such as bench-marking, peer political pressure and mutual surveillance, are used to get member-states to achieve desired standards according to their own preferred methods. The UN has not much power to act, but through its role of a bench-marker, the UN promotes best practices that can be adopted in countries that are very different economically, culturally and socially. In any region, to enable successful cooperation and mutual legal assistance, any one country has to recognise the legal validity of another country's request for assistance. Consequently, a minimum standard of laws is needed against mobile crimes such as money laundering and all regional countries should bring their laws into line with best practices. Acceptance of such best practices creates political pressure among states. Multilateral surveillance and the threat of being named and shamed as "weak" or non-cooperative is an effective way of improving the region's overall standards.

Money Laundering Trends in the Region

Money laundering has found room for growth in Asia in recent years as many previously favoured locations in other regions have become stricter and less welcoming. Asia is attractive for money launderers because of the size, variety and complexity of its financial institutions. Another reason is the proximity to major shipping, drug production and human transit points. Money laundering occurs in a variety of different forms and stems from numerous sources.

There are two main sources of money laundering in the Asia Pacific. First of all the traditional form of money laundering where illegal proceeds derived from criminal activities, such as drug trafficking and prostitution, are laundered to appear legitimate and, secondly, the form of money laundering where the money flows from public sector corruption. As far as criminal activities are concerned in this region, the drug trade is a fundamental problem, involving for example the majority of the world's heroin production, but also other criminal activities such as prostitution, smuggling and corruption are present to a significant degree. As far as corruption is concerned, many countries in this region exhibit significant levels of corruption. Corruption is an extremely serious concern as it constitutes an ethical, political and fiscal problem. Various types of corruption are to be found such as: traditional top-down corruption where a nation's wealth is exploited by the ruling elite; bribes where payments become a license to do business or to win a contract; protection where criminals pay officials to keep quiet about their illegitimate business; as well as, payments made at the time of elections to ensure a successful outcome.

There are a number of well-known, as well as emerging, methods to launder money in the region. Casino operations have been exploited by money launderers for quite some time, but the emergence of internet has led to a development of internet gambling that increases the vulnerability for money laundering. Similarly, apart from casinos, other kinds of gambling and lottery are utilized to launder ill-gotten gains. The laundering of illicit money through offshore financial centers has emerged in a number of island states in the South Pacific. Once again, internet has provided an extraordinary advantage to such centers. The implications of the facility by which the flow of cash can be masked through internet, where there are few geographical barriers, difficulties in applying "Know-Your-Customer" regulations, and where transactions easily remain anonymous and encrypted, can be enormous. Moreover, underground banking, relying on links of ethnicity and kinship, remains well entrenched in Asian culture and society. Any attempt to combat underground banking is made extremely hard due to the flexible nature of such a system. The whole point of the system is to not leave a trace of paper work and, therefore, transaction reporting would most likely never become applicable. Increased scrutiny of the more traditional means of laundering money has pushed those seeking to clean up their illicit proceeds towards new venues. Recently here in Thailand it has been

found that both trade in cattle and crocodiles has enabled drug traffickers to launder their money. In Russia, sophisticated fish schemes are utilized by criminals to launder ill-gotten money and by pass the state budget. The importance of preserving Russia's marine bioresources is overridden by the profitability of the fish mafia dealing with caviar, poached sturgeon and salmon.

However, it is of fundamental importance to keep in mind that the majority of money laundering takes place within traditional financial institutions, the region's local banks. Therefore, a lot of positive impact can be attained by improving the institutional anti-money laundering capacity of the region. The importance the fastest growing economy of the world, namely China, will have in the near future, both regionally and globally, raises concerns about an enormous opportunity for money launderers to take advantage of such a rapidly developing economy. Chinese analysts have already reported an important increase of such activities. Such an increase is largely tracking an uptrend in activities such as embezzlement, drug trafficking, smuggling, kidnapping, bribery, trafficking in women and children and corruption. Chinese analysts estimate illegal outflows of foreign exchange, since 1987, have totaled US \$ 150 million. Such illegal actions result in the legalization of crime proceeds and the drainage of the region's states' assets. In fact, they threaten the whole financial security.

Achievement & Failures of the Present Anti-Money Laundering Regime

The region's countries have stepped up their campaigns against money laundering and this has led to the drafting of national laws aiming to tackle such activities. This is a very encouraging development and definitely a step in the right direction. So is the enhanced awareness to the problem that is quickly emerging regionally. Just three years ago, almost all countries, apart from a few richer countries, lacked financial intelligence units to support their enforcement agencies, to protect their banking communities, to detect criminal abuse of their financial systems, and to ensure adherence to national laws against financial crime. In recent years, financial intelligence units have, for example, been established in Thailand, Malaysia, and the Philippines. Moreover, Indonesia has passed legislation to create such a unit and has six months from the passage of that legislation to actually bring the body into operation.

However, we must be cautious to steer clear of the temptation of believing that the drafting of valid legislation and that the approval of various regional and international organisation's anti-money laundering measures will suffice. Such support for multilateral efforts serves as a basis for future work for sure, but nevertheless a lot of work remains to be done to make sure that the agreed measures are implemented as well. The implementation process poses a significant challenge to many Signatory Members. Many, if not most countries, have to amend their laws, including their penal code. This requires adjustments to the criminal justice system and to the law enforcement as a whole. In addition to legislative amendments many of the obligations under the conventions and protocols require substantial financial, material and human resources. This creates particular difficulties for economically less developed States. Assistance from the region's richer countries will be greatly needed.

Moreover, money laundering can not be tackled effectively without transparency and as long as it is easy to launder money there will be corruption. Therefore are corruption and money laundering twins. The Asian anti-money laundering regime will be a failure if the long-standing problem of corruption remains taboo and, almost acceptable, treated as inevitable in Asian culture. The whole international community and the countries in our region, in particular, have to understand that the question of combating organized crime and corruption is directly linked to the question of development. Financial market and government transparency is a necessity for economic revitalization. There will be less investment and economic growth in a country which has a

reputation of being corrupt. Similarly, money derived from corruption and laundered effectively, become personal money and is, therefore, money lost for sectors such as education, health and environment. The formerly taboo area of corruption has to be pushed into open public debate and the resolve to pursue 'untouchables' has to be enhanced and encouraged. The excessive reluctance to deal with corruption has to be overcome to change the current up-hill challenge of anti-corruption efforts in the region.

UNODC

The Global Programme against Corruption of the United Nations Office on Drugs and Crime targets countries with vulnerable developing or transitional economies by promoting anti-corruption measures and helping to make public-sector actions more transparent. The Global Programme against Corruption is composed of three main components: action learning, technical cooperation, and evaluation. The Programme provides technical cooperation at the international, national and sub-national (or municipal) levels. Pilot projects are conducted in selected countries in Africa, Asia, the Middle East, Latin America and Eastern Europe.

Similarly to the Global Programme against Corruption, the UNODC also runs a Global Programme against Money Laundering. Through GPML, the United Nations helps Member States to introduce legislation against money laundering and to develop and maintain the mechanisms that combat this crime. The programme encourages anti-money laundering policy development, monitors and analyses the problems and responses, raises public awareness about money laundering, and acts as a coordinator of joint anti-money laundering initiatives by the United Nations with other international organizations. Strategies include granting technical assistance to developing countries, organizing training workshops, providing training materials, transferring expertise between jurisdictions, conducting research and analysis and gathering data.

Joint UNODC-ASEM initiative

To tackle organized crime by fighting against money laundering might prove to be the most effective way, as it cuts off the criminals' flow of ill-gotten gains. Many initiatives are, therefore, undertaken by for example, ADB, USAID, IMF, etc., to tackle the problem of money laundering. In this regard, the UNODC Regional Centre, in a joint venture with ASEM, is promoting cooperation between countries of the Region in combating money laundering.

This is done through the implementation of the ASEM Anti-Money Laundering Project, aiming to develop a sustainable institutional capacity at a national, regional and international level, in the field of anti-money laundering. The Governments of UK and Thailand, as well as the European Commission are the co-sponsors of the project. This project addresses the institutional capacity as a whole in regards to money laundering and, therefore, deals with law enforcement officials, bank officials, as well as the judiciary and prosecutorial officials.

As part of international efforts to implement a global anti-money laundering regime, the ASEM Anti-Money Laundering Project will, at its termination, have developed deeper and closer cooperation between Europe and Asia. Ways in which Europe and Asia can cooperate to disrupt the activities of organized criminal organizations operating in both regions will have been identified. The project will have contributed to an increased political commitment to, not only sign the relevant anti-money laundering conventions but also to implement the provisions included in such recommended legislation. Selected countries will have been assisted, through effective training and equipment, enabling them to strengthen their anti-money laundering systems by implementing national strategies and cooperating more efficiently at both the national, regional and international level. Within the first phase of the project, a needs assessment of a number of ASEM Asian

jurisdictions is currently being undertaken to assess the extent of technical assistance required in order to establish, or improve, an anti-money laundering regime in the six identified priority countries, namely, China, Philippines, Malaysia, Indonesia, Thailand and Vietnam, and perhaps also Brunei.

Synergy

Recent anti-terrorist efforts have led to noticeable improvements in combating Money Laundering. The terrorist attacks in the US and in Bali have prompted countries to recognize the destructive nature of money laundering and to act against it.

The need for increased synergy of technical assistance projects has become particularly urgent as a variety of new projects and initiatives have, and will, commence in this region. We are many actors who want to assist the region in getting to its criminals by cutting of the ill-gotten funds. However, because of the likelihood of an enhanced interest to assist, and an increased availability of resources to anti-money laundering and counter terrorist funding efforts in the coming years, a greater synergy among various organizations and stakeholders should be sought to reduce waste and avoid duplication of activities. Cross-regional synergy, as well as cross-sectorial synergy will also be needed, so that the global anti-money laundering regime becomes holistic in nature.

UNODC strongly supports and appreciates events like this present conference. Not only do events, such as these, provide us with an opportunity to learn about the anti-money laundering efforts that are taking place within our region, and thereby avoid unnecessary duplication, but also do they send an importance message to the public about the gravity of the situation and, thus, alert people to the risk their counties face if no anti-money laundering efforts are made. The United Nations, through our conventions, establish standards for international cooperation and for required reforms of national laws. By so doing, strategies of law enforcement and, in fact, the law in general becomes coherent and viewed as legitimate. We will pursue our efforts to encourage and support countries in their processes of signing, ratifying and implementing relevant conventions. We will also continue to take part in the strengthening of the regional efforts to build fully cooperative, strategic and synergetic partnerships with other national, regional and international bodies in money laundering control.

Thank you for your attention.