

# What you need to know about human trafficking in East Asia and the Pacific

According to the International Monetary Fund, funds laundered in the world today could range between two and five percent of the world's gross domestic product. Among the prominent criminal activities that are sourced to money laundering is human trafficking. Although it's convenient to regard the world we live in as modern and advanced — a world led by human rights — we in the anti-money laundering industry have to face the inconvenient truth that slavery in its different modern forms still exists and, moreover, generates substantial profits around the world. Today, human trafficking has become one of the most profitable illicit industries worldwide, generating revenues of more than an estimated U.S. \$31 billion per year.

This article serves as a study of human trafficking in East Asia and the Pacific. Throughout the article, we examine the role of the different countries in East Asia with regard to human trafficking, the extent of human trafficking in each of these countries, the possible prominent players in the crime and the current legal measures taken in each country to confront the problem. The ultimate goal of the article is to provide the AML professional and reader with a geopolitical assessment of the problem, its magnitude and the

existing preventive legal mechanisms. For that reason, it is no coincidence that the East Asia region was chosen for this study — according to the International Labor Organization (ILO) Report on Forced Labor (2005), globally there are at least 2,450,000 people in forced labor as a result of trafficking in persons. Of these, more than half — 1,360,000 people — are trafficked in Asia and the Pacific.

The ILO report has divided trafficked forced labor into the following forms: Commercial sexual exploitation (43%), Economic exploitation (32%) and Mixed (25%). In this study, we refer to both forms of human trafficking.

## Legal definitions of human trafficking

### *International definition*

According to the United Nations (U.N.), human trafficking is “the recruitment, transportation, transfer, harboring or receipt of persons by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation.”

Many practitioners and organizations of international law consider human trafficking to be a crime against humanity based on this treaty that considers enslavement, imprisonment and sexual slavery as such.

The U.N. has recognized in recent years that the problem of human trafficking does not stand by itself, but is rather intertwined with financial-based, overarching crimes such as organized crime and money laundering; one crime inherently leads to the other, creating together international and regional criminal networks. As an international organization, the U.N. addresses the problem via its legal and executive tools — conventions and relevant sub-organizations that try to transform the words of relevant conventions into actual deeds. One of the prominent suborganizations that address these issues is the United Nations Office of Drugs and Crime (UNODC), which established The Global Program against Trafficking in Human Beings (GPAT) to assist countries combating human trafficking and to implement the Convention of Transnational Organized Crime and its anti-trafficking protocol. In addition, there are U.N. regional organizations such as the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the United Nations Inter-Agency Project on Human Trafficking in

the Greater Mekong Sub-region (UNIAP).

With well-meaning intentions and professional institutions in place, the main problem of international and regional organizations is still their effectiveness in obtaining the cooperation of member countries. Unfortunately, these organizations both lack the “teeth” to enforce countries to comply with newly created policies and programs, and encounter bureaucratic constraints thus negating their effectiveness. Naturally, these organizations are also limited in their ability to provide generous financial incentives to countries that comply with their programs.

### U.S. definition

One of the leading voices among countries in the battle against human trafficking is The U.S. Department of State. The U.S. law that guides anti-human trafficking efforts worldwide is the Trafficking Victims Protection Act of 2000 (TVPA). The TVPA defines “severe forms of trafficking” as:

a. Sex trafficking in which a commercial sex act is induced by force, fraud, or coercion, or in which the person induced to perform such an act has not attained 18 years of age; or

b. The recruitment, harboring, transportation, provision, or obtaining of a person for labor or service, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery.

It is important to note that both the TVPA and the U.N. do not require crossing borders from one country to another to be a consideration in determining human trafficking.

The TVPA provides the U.S. Department of State with basic standards for the categorization of countries in their compliance with the law. The Department of State applies these standards when examining countries’ approaches toward human trafficking, categorizes them into different groups and uses the categorization it performs as a “carrot-and-stick” tool in its economic, social and diplomatic relations. The categorization is performed by dividing countries into tiers: Tier 1 for countries that fully comply with the law; Tier 2 for countries that do not fully comply with the law but have, however, taken significant measures to meet its minimum standard; a Tier 2 Watch List for countries that, although they may maintain good intentions, significantly violate the law; and Tier 3 for governments that do not comply with the minimum standards of the law nor show measures of intention.

Starting from 2001, the U.S. Department of State publishes an annual report, “Trafficking in Persons Report,” as part of its international battle against human trafficking. The report, which is delivered to the U.S. Congress and is also published by the Department of State, examines and categorizes (based on tiers) foreign governments’ efforts to eliminate human trafficking in persons, based on the minimum standard of the TVPA. The countries placed in Tier 3 are faced with social and diplomatic constraints.

While good intentions in combating human trafficking and organized crime are in place, some countries’ actions to do so do not necessarily follow. Moreover, the current economic sanctions used by the U.S. and the Western World against non-complying countries are greatly limited, due to various national interests, and thus usually relate to the work of international organizations such as The World Bank and the International Monetary Fund vis-à-vis the noncomplying states.

## Human trafficking in East Asia and the Pacific

Countries play different roles in human trafficking. A country can be considered a source country (i.e., serve as the place from which people are being “exported” to another country for economic or sexual exploitation). A country can also serve as a destination country, the place where the economic and sexual exploitation of the trafficked humans takes place. Another role is of the transit country, a temporary “stop” between the source and the destination countries.

We asked ourselves whether this division can be applied to East Asia and the Pacific region, whether the division is coherent and clear, and whether there is an identifiable common ground (be it economic, legal, social, etc.) for countries in each group. To perform our analysis, we relied on the annual reports provided by the U.S. Department of State from the years 2001–2008 and on humantrafficking.org, a Web resource that provides valuable and informative data on trafficking in East Asia and the Pacific.

### Who are the source countries?

Burma, Cambodia, China, East Timor, Lao PDR, Mongolia, Philippines, South Korea, Taiwan, Thailand and Vietnam are the primary countries from which men, women and children are being trafficked for the purposes of mainly sexual

and economic exploitation. Most of these countries also serve as a transit place due to their geographic location of being a neighbor country to the source and destination countries. In addition to external trafficking, in Burma, China, Cambodia, Lao PDR and Mongolia, internal trafficking (especially of girls and women) from rural areas to urban areas, takes place as well.

The dominant common ground for being a source country originates in the poor economic conditions of these countries’ inhabitants — poverty, economic mismanagement by the ruling regime and socioeconomic imbalance between rural and urban areas — those are the main grounds for becoming a source country for human trafficking. In addition, in countries where tourism is a prosperous industry, such as Thailand, women and children are increasingly trafficked for sexual exploitation. All source countries, except for South Korea, have been consistently identified by the U.S. Department of State’s reports, from 2001 to the present, as noncomplying with the minimum standards of the anti-trafficking law and thus tagged many times under the Tier 2 Watch List and as Tier 3.

And don’t let the letter of the law fool you. Although nearly all source countries have legislated laws that address — to different extents — the problem of trafficking, they have been identified as not taking sufficient operative steps toward the eradication of trafficking, hence not bringing results to the table. Based on the Department of State’s reports, the Tier 2 Watch List and Tier 3 countries have been identified as countries of origin for significant and severe forms of trafficking. For example, the Philippines was placed on the Tier 2 Watch List because it served as country of origin for an estimated 300,000 to 400,000 trafficked women and an estimated 60,000 to 100,000 children.

In addition, source countries are identified as not putting sufficient resources to eliminate the problem. The Department of State Report provides the two main components required for compliance with the TVPA: the legal component on the one hand, i.e., criminalizing trafficking via legislation and legal prosecution of traffickers, and the social component on the other hand, i.e., protecting the victims or potential victims of trafficking crimes through education, anti-trafficking campaigns, NGO work and by providing shelters for the trafficking victims, especially women and children trafficked for sexual exploitation.

# Human trafficking plays a role as one of the leading causes of money laundering in the world

### *Destination? Anywhere...*

Australia, Cambodia, China, East Timor, Japan, Lao PDR, Malaysia, Mongolia, New Zealand, the Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam are countries where sexual and economic exploitation of trafficking victims takes place. Almost all source countries function as a destination as well. The only source country that does not also serve as a destination is Burma — a country that suffers from severe poverty and harsh dictatorship. Moreover, a destination for traffickers originating from East Asian countries is basically anywhere from China to Russia to Europe to the U.S. Wherever there is an economic demand for humans to join the commercial labor and sex markets, the traffickers are there.

What are the common grounds that characterize destination countries in East Asia? One would assume that these are the economically viable states, such as Australia, Hong Kong, Japan, New Zealand, South Korea or Taiwan, because their economic prosperity attracts traffickers looking for bigger revenues. However, our study found that it is not necessarily so. According to the 2008 U.S. Department of State Trafficking in Persons Report, Hong Kong is primarily a transit territory and to a lesser extent a destination country for women and men trafficked for the purpose of sexual exploitation and forced labor. Similar to Hong Kong, estimates of international human trafficking in New Zealand are also modest. On the other hand, developing countries that encounter significant poverty issues such as Malaysia, East Timor, China and Vietnam are salient destination locations.

Hence, the economic situation of a country, however significant, cannot serve as the sole indicator of a viable destination country in East Asia. The type of regime, whether democratic or central, cannot predict the probability of it serving as a destination place, nor the amount of legislations a government enacts, nor the severity of the law. For instance, Malaysia has legislated over a dozen laws related to the trafficking

of women and girls, money laundering of human trafficking proceeds and more, which did not deter the Department of State from categorizing it under Tier 3 in 2007 and on the Tier 2 Watch List in 2008. Another example is Indonesia, imposing by law a maximum of 12 years imprisonment on traffickers despite being categorized under Tier 3 in 2002 and on the Tier 2 Watch List in 2006.

### *Who are the traffickers?*

Just as there are many factors involved in determining whether countries comply with the law, there are also different groups involved in the “business” of human trafficking — from organized crime groups, via government corruption, to private individuals. Countries with strong organized crime syndicates, such as Thailand, Malaysia or Japan and its Yakuza, would naturally control human trafficking there. However, trafficking is not necessarily controlled by organized syndicates. In Cambodia, a source and destination country, many different figures are taking part in trafficking. The traffickers are reportedly organized crime syndicates, parents, relatives, friends, intimate partners and neighbors.

### *Conclusion*

As described above, the questions we raised in the beginning of this article cannot be addressed by one-sentence answers. Human trafficking is an acute problem shared by the countries of East Asia and the Pacific. However, it is not only their problem to handle, but the world's. International financial institutions that conduct daily transactions with international figures need to be constantly on alert and perform up-to-date geo-political analysis of the region, as each country's issues are entangled with its neighbor. As indicated, East Asian countries play similar roles in the trafficking business; most serve as both the source and destination place and many serve as transit locations as well, since all are neighboring countries and crossing each other's borders is simple and common.

Several important factors, when combined, may drive a country into being a source or a destination country. More importantly, several actions are needed to deter human trafficking: better economic conditions and opportunities, criminal laws that specifically address the problem, effective law enforcement and execution mechanisms, deterring education, grass-root-level activities and improved social facilities. In our view, each action standing

on its own fails in resolving the problem. It is only with the combination of these actions and their ensuing positive impact that the issue can be properly addressed.

So what are the red flags an AML professional could use while analyzing transactions in reference to the region? Dr. Louise Shelley stated in an interview for *money-laundering.com* that cash intensive and sex-oriented businesses should serve as red flags. In addition to that, and in reference to the region, we would recommend examining the U.S. Department of State published annual report to learn where the country is tiered, why, and who is the typical trafficker.

Human trafficking, in addition to its inhumanity and cruelty, also plays a role as one of the leading causes of money laundering in the world. It is a financial crime and should be regarded and treated as such. Leading international organizations and economically viable countries ought to work together to eliminate it by providing assistance in policy creation and implementation to countries in need. In addition, stronger “economic carrots” should be provided to those that improve their enforcement mechanism and to those that abide by the TVPA and international laws. Similarly, harsher “economic sticks” ought to be used against countries that do not make the effort to effectively enforce anti-trafficking laws or do not abide by international laws.

When addressing the issue of human trafficking in volatile areas, we should acknowledge the significant relationship between the crime and the outcome — the laundering of money. To better spot and identify suspicious transactions related to human trafficking, geopolitical risk analysis needs to be established and documented. High-risk countries, such as those that suffer from harsh poverty, strong internal economic imbalance, non-democratic regimes, criminal syndicates nests, armed conflicts or natural disasters should be identified, evaluated and updated using a risk-based approach. In addition, suspicious activity monitoring, whether manual or systematic, needs to be adjusted based on changing global situations. AML professionals can and should play an important role in assisting government and law enforcement officials in the fight against human trafficking. 

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