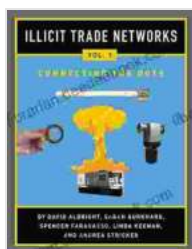


Characterizing and Drawing Lessons from Tactics and Methods of Illicit Financial Flows

Illicit financial flows (IFFs) are a global scourge that drain developing countries of trillions of dollars annually. These illicit outflows include money laundering, tax evasion, and corruption. They undermine economic growth, increase inequality, and destabilize societies.

IFFs are a complex and multifaceted problem, with no easy solutions. However, by characterizing and understanding the tactics and methods used by illicit actors, we can better develop strategies to combat these flows.



Illicit Trade Networks: Volume 1 Connecting the Dots: Characterizing and Drawing Lessons from Tactics and Methods of Illicit Procurement to Improve Counterproliferation, Case Studies and Findings

by David Albright

★★★★☆ 4.7 out of 5

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Word Wise : Enabled
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Tactics and Methods of Illicit Financial Flows

IFFs can take many forms, including:

* **Money laundering:** The process of disguising the origins of illegally obtained funds. This can be done through a variety of methods, such as shell companies, offshore accounts, and complex financial transactions. *

* **Tax evasion:** The illegal avoidance of paying taxes. This can be done through a variety of methods, such as hiding income or assets, or using tax havens. * **Corruption:** The abuse of public office for private gain. This can include bribery, extortion, and embezzlement.

Illicit actors use a variety of methods to move money across borders and hide their assets. These methods include:

* **Trade misinvoicing:** The deliberate over or under-invoicing of goods and services to move money across borders. * **Shell companies:** Companies that have no real business operations and are used to hide assets or move money. * **Offshore accounts:** Bank accounts in countries with lax financial regulations, which are often used to hide assets or avoid taxes. * **Hawala:** An informal value transfer system that is often used to move money across borders without going through the formal banking system.

Impacts of Illicit Financial Flows

IFFs have a devastating impact on developing countries. They:

* **Drain financial resources:** IFFs siphon off scarce financial resources that could be used for development purposes. For example, a study by the Global Financial Integrity estimated that IFFs from developing countries amounted to \$881 billion in 2010. * **Increase inequality:** IFFs exacerbate

inequality by concentrating wealth in the hands of a few individuals or corporations. For example, a study by the Center for Global Development found that the top 1% of wealth holders account for 70% of global IFFs. *

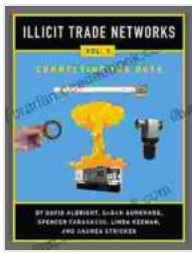
Destabilize societies: IFFs can contribute to political instability and social unrest. For example, the Arab Spring uprisings were partly fueled by anger over corruption and IFFs.

Lessons from Tactics and Methods of Illicit Financial Flows

By characterizing and understanding the tactics and methods used by illicit actors, we can better develop strategies to combat these flows. Some lessons that can be drawn from the tactics and methods of IFFs include:

* **The importance of international cooperation:** IFFs are a global problem that requires a global solution. Countries need to work together to share information, develop common standards, and enforce laws against IFFs. * **The need for strong financial regulations:** Strong financial regulations can help to prevent and detect IFFs. Countries need to implement and enforce laws that require financial institutions to report suspicious transactions and identify and freeze illicit funds. * **The role of civil society:** Civil society organizations can play a vital role in combating IFFs by raising awareness of the issue, advocating for strong financial regulations, and monitoring the implementation of anti-IFF measures.

IFFs are a serious problem that has a devastating impact on developing countries. By characterizing and understanding the tactics and methods used by illicit actors, we can better develop strategies to combat these flows and their negative impacts.

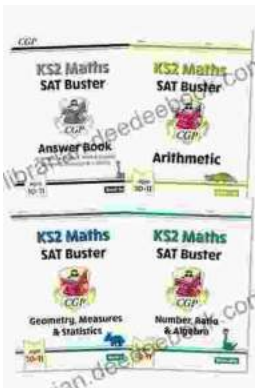


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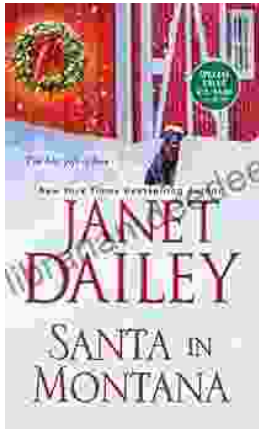
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