

Gramsci wrote in the Prison Notebooks: “The old is dying and the new cannot yet be born, In this interregnum a great variety of morbid symptoms appear”. Slavoj Zizek changed the translation to: “this is the time of monsters”.

2022 was supposed to be an improvement on 2021, which was in turn supposed to be an improvement on 2020. Two years of COVID, with lockdowns, working from home, workplaces closing, tourism and the hospitality industry closed down. Fun has definitely not been on the agenda. Now we have war, sanctions, energy shortages, raw materials being withheld and the cost of living soaring. Climate change, supposed to be this year’s priority, has been put on the back burner. . . with frightening implications.

The rules of the game are changing, and the new rules are not yet clear. The old security architecture is crumbling. A new security architecture will have to be created that takes hybrid warfare into account, along with economic warfare. A new economic architecture is being created by default, with a world once again divided between west and east, with no obvious states to act as bridges between the two, unless it be the oil sheikhs of the Middle East. One thing is for sure. . . the bad guys will be ahead of the creation process, scoping new opportunities for themselves to pillage the planet. States will posture and even resort to military means, but the organised crime networks will be there finding workarounds. The big money will be in people smuggling as states throw up barriers to immigration, and sanctions evasion as governments look for ways to win headlines without dealing with issues. The smuggling of raw materials also looks like a major opportunity again.

One rule that won’t change is the law of unintended consequences. So far the “special military operation” in Ukraine has failed in its apparent original objectives and instead has succeeded in creating a shared sense of identity among people living in Ukraine, and uniting the member states of the European Union (EU) in collective response, although by the time this editorial is printed, they may be disagreeing again, particularly over oil and gas. It has also succeeded in enabling NATO to expand into countries that have resisted joining since its inception. Sanctions against Russia have disrupted energy supplies and prices, grain supplies and food prices, fertiliser supplies and the “just in time” economic model. It is worth remembering that a couple of years ago, Europol pointed out in their threat assessment that organised crime was buying up small refineries that the big companies were getting rid of. Coincidence, analysis or intelligence?

The second, related rule that won’t change, is of course, legislate in haste, repent at leisure. Sanctions will be tested in the courts and loopholes will be found. Oligarchs will still have the money to fight the confiscation of their assets and the allegations that they are “close to Putin”. In the process, judges will take decisions that will affect the practice of asset freezing and confiscation more generally.

Governments may be back in fashion. Laissez faire and the market are no longer sovereign. Unfortunately, the political class and public service are woefully short of talent, which earns more in financial services or video gaming. There are no Bismarcks, Talleyrands, Zhou Enlais or even Castlereaghs around. Kissinger is still with us, but ignored. There are no great statespersons around to negotiate a way out of this mess with each other. There is no call for a return to the Nineteenth Century Congress system to meet and sort out conflicts on a regular basis. In fact the reverse is happening: the “West” is excluding the Russians and Chinese from their deliberations and building a new containment system.



It will take years to unpick this, even if there was a consensus to do so. So what are the implications for Financial Crime as the situation develops. Where are the barriers going up that criminal networks will profit from?

There appear to be labour shortages everywhere in the developed world, particularly in transportation, be it by truck, ship or whatever. The UK is suffering particularly badly in this area, but our media assure us that the USA and Germany are short of lorry drivers too. Normally, employers would simply pay more, but there seem to be hidden obstacles to doing this. Organised crime networks must be studying the situation. They already have the routes and systems in place for other forms of employment, so surely it is only a matter of time. Unless the need for skilled labour is greater and more profitable elsewhere.

Then there is Russian money looking to escape Russia itself. Dubai appears to be the first port of call, as Cyprus is bound by EU rules on sanctions. The big players have already created their networks of shell companies and systems of concealed ownership, but smaller players are looking to extract their capital to safer havens. There must be lessons to be learned from capital flight from Argentina in the past.

Then there is the exclusion of Russian banks and businesses from the dollar. This is not significantly different from times when many countries' currency were considered to be "soft" and other forms of payment had to be found, including forms of barter. But the organised crime networks are cash heavy and can easily fund some of these transactions, presumably for a cut in raw materials. The Camorra will become commodity brokers, if they aren't already! Networks were already in place from the Yeltsin period. They never went away.

Hawala and Chop systems of payment will have entered the age of the internet too. Payments for drugs on the Dark Web provide an example for commodity traders and dealers in other services. The danger for dealers is moving too much around in a single transaction as well as being defrauded by slicker operators.

It is not yet clear where sanctions are causing pain. This means that the workarounds are not clear either. Organised crime networks will have been preparing for this for a while, although they probably expected the first target to be China. The links between the Russian leadership and organised crime have been close for a long time, so they will have been prepared too. They will have known that the invasion of Ukraine was coming for months if not years and will have expected challenges. The rule of fraud and financial crime is that the authorities are always 5–10 years behind. The coming of sanctions is no different because they have been creeping in gradually for some years and response systems have been in place for a similar amount of time.

But what are the new rules going to be? A retreat from globalisation, the just-in-time economy, and a return to autarky and self-sufficiency on the part of national government. A world divided with China and the USA competing for allegiance in the less developed world. Conflict by proxy and a return to an age of military coups. But that is all political. Those of us interested in financial crime should be watching the banks, commodity brokers, recruitment agencies and others for signs of penetration by organised crime networks. Where will the monsters show up? And how long will it take for us to notice?

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