

SPECIAL REPORT

Transnational crime in Sri Lanka

Future considerations for international cooperation



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Australian Minister for Immigration and Border Protection, Peter Dutton speaks to the media at the Cinnamon Grand Hotel in Colombo, Sri Lanka, 6 May 2015. A delegation from Australia was in Sri Lanka to discuss further prevention of migration and human trafficking between the two countries. Australia has already commissioned two fully refurbished Bay-class patrol boats to the Sri Lankan Navy. EPA/M.A.PUSHPA KUMARA via AAP.



The Sri Lanka – Australia Joint Working Group (JWG) on People Smuggling and Other Transnational Crime met on the 14 June 2016 at the Ministry of Defence, Colombo. Senior officials from the Ministries of Defence, Law and Order, Foreign Affairs and Justice, Attorney General's Department, senior tri forces and Coastguard officers were also present at the Meeting. Photo courtesy Sri Lanka Ministry of Defence.

EXECUTIVE SUMMARY

This report examines transnational, serious and organised crime in Sri Lanka, its impact on neighbouring states, law enforcement cooperation, and the influence of Sri Lanka's changing geopolitical and economic orientation on criminal activity.

Geopolitical change was a major influence on the patterns of transnational crime in Sri Lanka, especially the end of the civil war in 2009 and the destruction of the Liberation Tigers of Tamil Eelam (LTTE). The LTTE's demise ended some activity while changing the patterns of transnational crimes such as arms smuggling, people smuggling and human trafficking.

Still, the threat of transnational crime hasn't disappeared from Sri Lanka since the end of the civil war. Local law enforcement agencies and the military are struggling to develop strategies to combat a multifaceted threat exacerbated by the country's porous border with India, international drug rings and cartels, government corruption, and proximity to swathes of under- or ungoverned territory in Myanmar, India, Bangladesh and Pakistan. Historical and new international relationships—especially with Russia, China and the Middle East—have also influenced crime patterns in Sri Lanka.

Regional states have felt strong impacts from criminal activities involving Sri Lanka. Those impacts have differed markedly, as each affected state has been incorporated into a different place along the contraband supply chain. People smuggling and associated crimes are likely to remain the main concerns for Australia. Drug, arms and human trafficking are likely to pose problems for India and Southeast Asia.

Because this criminal activity is diffuse, solutions must necessarily come from both domestic and regional sources, and involve neighbouring states working with the Sri Lankan Government to develop strategies to jointly reduce the threat. Already, a proliferation of different multilateral and bilateral law enforcement cooperation agreements has emerged in response to these challenges. Future engagement should focus on enhancing the intelligence capabilities of Sri Lanka's military and law enforcement agencies, encouraging reforms to eliminate corruption and inefficiency and realigning government agencies to fit the new threat.

INTRODUCTION: PROGRESS AND A GLIMMER OF HOPE

Today, Sri Lanka is in a better economic, political, and security position than it has been since prior to the start of the Sri Lankan civil war period (1983–2009). In the past decade alone, the country has ended one of the best funded and best equipped insurgencies in Asia, has enacted peaceful government transitions, sharply reduced the percentage of its citizens living in poverty (from 15.2% in 2006 to 6.7% in 2013)¹, and is expected to experience GDP growth above 6% annually into the near future.²

Despite this, transnational crime is an ongoing challenge for Sri Lanka. Exposed by its strategic maritime location, the country remains a source area for people smuggling, human trafficking and arms smuggling, and a transit point for narcotics. However, if the right decisions are made now and cooperation and support come from the country's regional and international partners, there's a strong chance Sri Lanka may make counter-trafficking its latest success story.

This special report examines how changing geopolitical and economic conditions have affected the transnational crime threat in and from Sri Lanka. After examining the nature of the threat and two main drivers of future change, the report considers how international cooperation can, and could in future, be used to further reduce the transnational crime threat in Sri Lanka. The report concludes with recommendations for the Sri Lankan, Australian and other regional governments to further enhance cooperation against transnational crime.

TRANSNATIONAL CRIME TRANSIT POINT

In recent years, Sri Lanka has been the location of significant, though globally minor, transnational crime, in the form of drug, arms and human smuggling.³ It's been both a source and a transit point, although the level of smuggling activity has varied over time due to internal and external factors. The actors involved have also changed over time: the rise and sudden fall into disorganisation of the worldwide underground apparatus of the Liberation Tigers of Tamil Eelam (LTTE) made the biggest contribution to this shift.

Drug trafficking: some transshipment and limited domestic production

During the civil war years from 1983 to 2009, the influence of a number of factors, both inside and outside the country, helped to create an environment in Sri Lanka that was highly conducive to drug trafficking. Those factors included poor border policing, the internal instability engendered by the Tamil insurrection, and the closing off of the traditional drug routes to Europe by the Afghan–Soviet (1979–1989) and Iran–Iraq (1980–1988) wars.⁴

The question of whether the end of the civil war has had a demonstrable impact on the quantity of drugs being trafficked through the country is a vexed one. While the US State Department noted in 2012 that Sri Lanka plays ‘only a minor role in the international narcotics traffic as a transshipment route’,⁵ the available evidence appears to demonstrate that seizures of drugs by Sri Lankan law enforcement organisations have either remained stable or increased since 2009. A comparison of drug seizures made in the three years before the cessation of the war (2007, 2008 and 2009) with seizures in the period immediately after (2010, 2011 and 2013) unequivocally indicated a large increase in the amount of drugs seized (Table 1).⁶ In the latter period, the quantity of seized narcotics peaked around 2010 and 2011; in 2012 there was a reduction in heroin, cannabis, cocaine and hashish, alongside a small increase in opium.

Table 1: Drug seizures by all law enforcement agencies in Sri Lanka in the three years before and after the end of the civil war (1983–2009) (kg)

Period	Heroin	Cannabis	Hashish	Opium	Cocaine
War (2007, 2008 & 2009)	81.321	177,610.746	3.09	0.559	0.491
Postwar (2010, 2011 & 2012)	215.355	391,763.194	42.26	0.03	21.985
Gross difference	+134.034	+214,152.448	+39.17	-0.0259	+21.494

Note: Psychotropic drugs are not included in this comparison due to the use of incompatible measurements (tablets versus kilograms).
Sources: National Dangerous Drugs Control Board, *Handbook of drug abuse 2006–2010*, pp. 21, 24; *Handbook of drug abuse 2014*, p. 21.

With the information available, it isn't possible to determine whether these large increases are due to absolute increases in trafficking activity or to improved policing and detection measures. The latter certainly can't be ruled out, as police and public security expenditure has increased yearly since the end of the war.⁷

Resolving the drug trafficking issue is likely to be difficult, due to the country's permeable maritime border with India, inadequate cargo screening infrastructure at seaports and the incidence of government corruption. Senior officials have noticed a 'gradual increase in considerably large narcotics consignments entering ... through maritime routes',⁸ while media reports indicate that airlines and maritime cargo remain potent entry vectors.

As with most of Sri Lanka's transnational organised crime, the drugs trade is facilitated by the involvement of corrupt officials and patronage networks.⁹ While the new administration of President Maithripala Sirisena has pledged to engage in an anticorruption drive, it's uncertain to what extent links to drug trafficking rings will receive attention.¹⁰

Today, organised drug crime primarily takes three dimensions:

- the importation of Afghan, Indian and Pakistani heroin by sea or air from India and Pakistan, for either local consumption or further transshipment¹¹
- the domestic cultivation of cannabis for the local market and importation operations from India¹²
- the transshipment and local consumption of minor quantities of stimulants, including amphetamine-type stimulants (ATS), precursor products and cocaine.

Heroin

Heroin trafficked through Sri Lanka originates mainly in the 'Golden Crescent' area of Central and South Asia, and is often in the refined 'brown sugar' form. Smaller quantities of heroin and opium from the Golden Triangle region of Southeast Asia may also be involved. Between 2006 and 2012, heroin was the second most seized drug, by quantity, in the country.

The drug is smuggled into Sri Lanka for both domestic use and transshipment along the route to Europe via Colombo and the Maldives. The two main entry methods used are via fishing boats from southern India (specifically Andhra Pradesh, Karnataka, Tamil Nadu and Kerala)¹³ across the Palk Strait to the west coast of Sri Lanka (Mannar, Kalpitiya, Negombo and Mullaitivu),¹⁴ or through couriers on international flights from Dubai and Pakistan, especially via Bandaranaike International Airport.¹⁵

A study of trafficking trends in 2014 by the International Narcotics Control Board noted that 'Recent trends point to an increase in the trafficking of Afghan heroin in fairly large consignments through Sri Lanka', and that 'the amount of heroin seized [in Sri Lanka] in 2013 increased by 90.5% compared with the previous year.'¹⁶ Raw opium is also smuggled into the country, although the amount seized pales in comparison to the quantity of processed heroin.

Cannabis

Cannabis (known locally as 'ganja' or 'kansa') is the only drug known by authorities to be grown inside Sri Lanka, and it appears that it's almost entirely produced for domestic consumption. Official government figures on the quantity of drugs seized by law enforcement agencies indicate a steady increase between 2006 and 2011, with a decline soon afterwards.¹⁷ Between 2006 and 2012, cannabis (including hashish) was the most commonly seized drug in Sri Lanka.

The UN Office on Drugs and Crime (UNODC) estimates that Sri Lanka had around 500 hectares of cannabis under cultivation in 2010, in comparison to 552 in India and 9,000–24,000 in Afghanistan.¹⁸ Several reports indicate that this may no longer be matching local levels of demand, and that an estimated 200,000 regular cannabis users lived in Sri Lanka in 2014.¹⁹ The Sri Lankan National Dangerous Drugs Control Board has noted that, over past five years, cannabis use has 'come to constitute [a] substantial problem', and that there had been 'a significant increase of cannabis users in the country'.²⁰

Amphetamine-type stimulants and cocaine

ATS are an intensifying problem in South Asia, and Sri Lanka has proven no exception. The country has been used as a transit point for preparation material, as ephedrine-based cough syrups are smuggled from India to Sri Lanka, and then from Sri Lanka to the Maldives.²¹ While there's little reliable statistical information available as to the extent of ATS production and smuggling inside Sri Lanka, a 2011 UNODC paper found that there have been 'isolated instances of illicit methamphetamine manufacture and trafficking'.²² The first domestic ATS production lab was discovered in 2008, and the first major importation attempt was detected in 2010.²³ According to Sri Lankan Government data, the quantity of seized amphetamine and methamphetamine, along with the number of arrests, has increased significantly since 2009.

Cocaine doesn't appear to be a major issue in Sri Lanka, and the UNODC noted the drug's 'limited presence' in South Asia in a recent report.²⁴ Sri Lankan Government data indicates that seizures of cocaine have increased significantly since the conclusion of the civil war, although the quantities involved are comparatively modest.²⁵

Arms trafficking: new challenges

Throughout the civil war, arms smuggling in Sri Lanka was largely dictated by the LTTE's military requirements, which were met through a global network of front companies, freighters and logistics bases. Arms smuggled during that period included small arms, light weapons, ammunition and explosives, and dual-use equipment.²⁶

The decisive end to this threat came with destruction of a large part of the LTTE's smuggling fleet in the later stages of the war, and the fall in demand for illicit arms due to the organisation's demise. The direct result of this has been a large decline in the quantity and lethality of arms trafficked, accompanied by a significant shrinking of the geographical scale.

Since 2009, the arms smuggling phenomenon has primarily involved leakages of small arms from Sri Lanka's poorly regulated privately contracted armed maritime security sector. The end of the war coincided almost exactly with the height of the Somali piracy crisis, which created demand among shipping companies for armed protection. Under this system, foreign private military companies stored small arms in Sri Lankan Government arsenals for later transfer to private security personnel on transiting merchant vessels.²⁷ Private companies subsequently also involved themselves in weapons storage, establishing floating armouries to enable weapons supply in international waters close to piracy hotspots.²⁸ At least one of those companies is part owned by a business owned by the Sri Lankan Government.²⁹

In January 2015, Sri Lankan police raided one of the privately owned arsenal ships (the MV Mahanuwara) and several land-based armouries at Galle, seizing 3,154 firearms and 770,059 rounds of ammunition from the vessel.³⁰ A police raid the same month on an arsenal owned by a different private security company revealed that 3,322 small arms registered to the firm were missing.³¹

People smuggling and human trafficking; a persistent scourge

Human trafficking and people smuggling³² networks continue to pose a large-scale threat in Sri Lanka, which both the UNODC and the US State Department label as a major source country.³³

Authorities currently face four main forms of irregular people movements (see also Figure 1):

- trafficking of Sri Lankans to locations, including the Middle East, Southeast Asia, Mauritius, Maldives and the US, for sex work or indentured labour
- trafficking of foreigners to Sri Lanka for the purpose of labour or sexual exploitation³⁴
- smuggling of asylum seekers and economic migrants from inside Sri Lanka to developed countries or transit locations by international smuggling networks
- smuggling of foreign migrants (including Afghans, Iranians, Pakistanis and Sri Lankan Tamil expatriates from southern India) into Sri Lanka and then on to third countries.³⁵

Of these, the smuggling of Tamil asylum seekers and economic migrants of all ethnicities from and through Sri Lanka has received the most attention in the international community. This trade involves either direct maritime journeys from Sri Lanka and India to Western countries such as Australia and Canada,³⁶ or movement via commercial airline to third countries, such as Indonesia, before a maritime crossing.³⁷ Attempts to smuggle migrants via airlines by using false documentation have also occurred. This involves potential migrants travelling on their own papers by air from Sri Lanka to rendezvous with people smugglers in third countries, where false documents are acquired and flights are booked for the intended destination.³⁸

Allegations by the Sri Lankan Government that former members of the LTTE are involved in this activity, both to fundraise and to evacuate their remaining cadres, appear to have been borne out by the available evidence.³⁹

Furthermore, it appears that corrupt elements within the Sri Lanka Navy have expedited the trade. In late 2013, navy personnel were among 30 people arrested for involvement in a people-smuggling ring that organised direct maritime smuggling trips to Australia.

Figure 1: Migrant smuggling routes to Australia and Canada by sea



Source: United Nations Office on Drugs and Crime, *Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment*, 2013, p. 43

Other transnational crime has a predictable foothold in Sri Lanka

Aside from the 'big three', there are a number of other forms of transnational organised crime of varying severity operating out of Sri Lanka.

The largest of them is the smuggling of gold from Sri Lanka to India. This is the result of the Indian Government's 10% duty on imports of the precious metal, which was put in place to check the high current account deficits caused by domestic gold demand. Sri Lanka has fast become a major transit point for this activity, as this route avoids the high level of scrutiny given to those travelling from traditional smuggling locations.⁴⁰ Smuggling syndicates use airline passengers, routes across land borders and fishing vessels as their primary methods.⁴¹ These exchanges may have been used for other commodities, with Sri Lankan smugglers trading their gold for cannabis or heroin from Indian smugglers during sea-based exchanges.⁴²

Money laundering is also a persistent problem, and the country is considered to be a medium-risk state by the World Bank and the Financial Intelligence Unit of the Central Bank of Sri Lanka (FIUCBSL). That rating is based on the level of threat posed by organised crime, the strength of countermeasures and the overall vulnerability of financial and other institutions. Those areas considered to be most at risk include designated non-finance businesses and professions (casinos; real estate agents; precious metal and stone dealers; lawyers and notaries public; accountants; and trust and company services) and the finance sector (excluding banking, insurance and securities).⁴³

The FIUCBSL notes that, while suspicious transactions reports relating to terrorism declined from 133 in 2009 to 23 in 2013, those relating to criminal money laundering increased from 250 to 475 in the same period. Most criminal suspicious transactions reports involve bank deposits for the proceeds of the drugs trade, money laundering disguised as trade, and various types of fraud.⁴⁴

Other minor forms of transnational crime present in Sri Lanka include large-scale copyright piracy (especially of computer software),⁴⁵ wildlife smuggling,⁴⁶ identity theft⁴⁷ and peripheral involvement in the Indian human organ trade.⁴⁸

A changing criminal threat

Despite the large blow dealt to drug, people and arms trafficking systems by the fall of the LTTE in 2009, Sri Lanka still faces serious challenges from transnational organised crime. The country has found itself both a transit and a source point along the larger South and Southeast Asian smuggling routes, and the problem has been exacerbated by its poor border control, its geographical position and the incidence of official corruption. The challenges faced by the country are, at their core, regional problems that can't be countered by the Sri Lankan Government in isolation. Although the country is but a small link, activities in Sri Lanka have impacts in some way upon all stages of the trafficking chain, from producer countries to destinations.

The KP Department: a global smuggling network

During the civil war years from 1983 to 2009, Sri Lanka found itself at the centre of one of the largest transnational arms, drug and human trafficking networks of the 20th century—the LTTE's Office of Overseas Purchases, or KP Department (after its long-time head, Kumaran Pathmanathan). The acquisition and logistics activities of the KP Department were truly global in scope, involving operations in East Asia, Southeast Asia, South Asia, Africa and Europe, and using both criminal and legitimate suppliers.

Through this network, the Tamil Tigers managed to procure and smuggle into Sri Lanka everything necessary to wage a conventional war against the Sri Lankan state, including small arms, artillery and munitions. The LTTE also managed to source dual-use items, such as light aircraft, small boats and GPS units.

In order to coordinate and operate such a large network, it controlled a number of front companies around South and Southeast Asia.⁴⁹ From 1984 onwards, it also began to acquire its own fleet of bluewater freighters (numbering 11 at its peak) flying under flags of convenience, known as the Sea Pigeons.⁵⁰

GEOPOLITICAL & ECONOMIC CHANGE & TRANSNATIONAL CRIME

Although the largest influences on Sri Lankan transnational criminal activity have been domestic, the country's changing international circumstances have nevertheless played a role in dictating the form and quantity of that activity. Those changes have included deeper economic relations with Russia and China and the growing number of Sri Lankan guest workers sent to Middle Eastern countries.

Friends indeed?

Increased tensions between Sri Lanka and the European Union and Nordic states, generated by the Sri Lankan Government's determination to militarily defeat the LTTE during the fourth and final phase of the civil war, meant that Sri Lanka was forced to retreat from its previous attempts to court the West. By contrast, China and Russia were willing to provide military and development aid without political and human rights conditions. They were also active in protecting the Sri Lankan Government from investigations and potential sanctions in the UN Security Council. While important at the time, this realignment is likely to moderate itself, as much of the impetus behind this shift was generated by the administration of former president Mahinda Rajapaksa.

The implications for organised crime from this realignment lie both in the business and people links established over that period and in the large growth in Sri Lanka's port and air infrastructure funded primarily by Chinese loans.

Sri Lankan organised crime linkages with Russia have a long history. Between the mid-1980s and early 1990s, Russia was a transit point for Sri Lankan refugees and economic migrants attempting to enter Western Europe, attracting the involvement of the Russian mafia.⁵¹ More recently, there have been direct criminal implications arising from wartime arms deals between Russia and Sri Lanka. In March 2015, the Ukrainian Government alleged that a former Sri Lankan ambassador to Russia was involved in trafficking small arms to pro-Russian rebels in eastern Ukraine. He had previously been involved in major military procurement deals between Russia and Sri Lanka, and had served in his position for close to a decade.⁵²

The influence of infrastructure investment and resulting increases in international trade and visitors on Chinese – Sri Lankan crime links is harder to identify. The new Hambantota seaport and airport developments, opened in 2010 and 2013, respectively, will undoubtedly increase the opportunities for transnational criminals, especially if the Sri Lankan police, excise and customs authorities fail to expand their presence and modernise their procedures. While the Hambantota (Mattala) International Airport doesn't operate even close to its capacity of 30,000 aircraft movements and 1 million passengers annually,⁵³ Sri Lanka's postwar economic growth is likely to lead to more air arrivals in the long run. This is likely to provide new opportunities for gold, drug and people smugglers, who are already known to make heavy use of the Colombo–Bandaranaike International Airport (Katunayake).

The impact on maritime smuggling will be similar. The new port has the capacity to process 20 million twenty-foot equivalent unit containers per year and the ability to unload 33 vessels simultaneously. The older Colombo Port is already a major entry point for narcotics smuggled via freighter from India, and authorities struggle to adequately screen cargo at its existing levels. At present, only 180 of the 24,000 containers arriving in Colombo Port every

month are properly screened,⁵⁴ raising questions about whether the security services can deal with the increase. Any increases in the scale of transnational crime brought about by the strengthening China relationship therefore remain speculative at this point.

The Middle East money pot

The second area in which Sri Lanka's changing economic role is modifying organised crime is the country's growing contribution of guest workers to the Middle East. Around 84% of Sri Lanka's foreign workers work in Saudi Arabia, Qatar, Kuwait, the United Arab Emirates and Jordan, and the Gulf region brought in 57.4% of Sri Lanka's total remittances, or Rs 438.5 billion (\$4,335 million), in 2012.⁵⁵ While the percentage of total remittances that the Middle East contributes has largely remained steady (around 50–60% of the total), the monetary value of work from the Middle East has increased every year since 1991. The importance of private remittances from exported labour to the Sri Lankan economy in general has rapidly increased, moving from 20.95% of total exports in 1990 to 61.34% in 2012.⁵⁶

With this increase in legal labour migration has come an increase in forced labour trafficking and indentured work. Such trafficking is often conducted by networks using the cover of legitimate foreign employment agencies, of which there were 746 in 2009.⁵⁷ This form of trafficking is especially prevalent in the construction, garment manufacturing and domestic service industries, in which victims are coerced by debts, violence, passport confiscation or the prospect of their employer withdrawing their visa support.⁵⁸ Efforts to prevent this behaviour have been lax: between 2011 and 2014, authorities failed to charge a single person for violating anti-trafficking laws.⁵⁹

Clear change, opaque implications

Despite changes to Sri Lanka's geopolitical and economic alignment under former president Mahinda Rajapaksa, there's currently a lack of verifiable evidence that those changes have influenced transnational criminal flows in any significant way. Increases in trade flows and the expansion of port and air capacity beyond the screening capabilities of the security forces are likely to result in an increase in trafficking if policies and capabilities remain as they are. At this point, however, these are little more than assumptions. While there's more evidence for the link between the increase in labour trafficking and the increase in legitimate guest-worker activity, it's likewise difficult to determine whether there's been a direct correlation.

INTERNATIONAL LAW ENFORCEMENT COOPERATION

The Sri Lankan Government has established significant bilateral, regional and multilateral cooperative arrangements in the area of law enforcement.

Bilateral and interagency law enforcement cooperation

As a small island nation with a marginal ability to limit transnational crime seeping over from its larger neighbours, Sri Lanka has been keenly involved in international law enforcement cooperation since the 1970s. That cooperation has taken the form of multilateral regional cooperation forums, bilateral agreements and the provision of training and equipment by foreign governments. Those patterns have largely continued unchanged into the present day, although Sri Lanka's moves to establish counter-people-smuggling coordination agreements with Australia appear to indicate a willingness to expand coordination efforts outside its immediate neighbourhood.

Australia has been one focus of cooperation among many for the Sri Lankan Government. Cooperation is based on a broad Memorandum of Understanding on Combating Transnational Crime and Developing Police Cooperation signed in May 2009⁶⁰, and a more specific memorandum on cooperation against migrant smuggling signed later that year.⁶¹ The Australia – Sri Lanka Joint Working Group on People Smuggling and Other Transnational Crime was formed in 2012 to complement the latter agreement.⁶²

These agreements have resulted in increased cooperation between Sri Lankan authorities, the Australian Border Force and the Australian Federal Police (AFP). The AFP has developed close operational-level contracts inside the Sri Lanka Police, including with the Criminal Intelligence Division (CID), the Maritime Human Smuggling Investigation Unit, the Anti-Human Smuggling Investigation Bureau and the Airport CID team.⁶³ Along with Australian Customs and Border Protection officers based in Sri Lanka, customs cooperation has also included two ex-Customs Bay-class patrol boats gifted to the Sri Lanka Navy in 2013 and further maritime cooperation, training, equipment and workshops.⁶⁴

The Sri Lankan Government's willingness to engage in extra-regional bilateral arrangements has also been evident in its approach to money laundering and corruption. Since 2008, intelligence-sharing memorandums have been signed between the FIUCBSL and banks or other counter-money-laundering agencies across the globe.⁶⁵ Britain has been prominent in these efforts, committing around £750,000 to Sri Lankan counter-corruption efforts for the 2015–2018 period.⁶⁶ An officer from the UK Serious Fraud Office has also been seconded to the High Commission to assist the Commission to Investigate Allegations of Bribery or Corruption and the Sri Lanka Police's CID and Financial Crime Investigations Department.⁶⁷

The provision of training and equipment by foreign law enforcement authorities has been a strong method of international cooperation, despite ongoing controversies in some quarters over the human rights record of the Sri Lanka Police.⁶⁸ In recent years, the police have received counter-narcotics training from the US, Canada, Germany, Thailand, India, Japan and the UK,⁶⁹ as well as ethics and human rights training from Sweden and counter-corruption skilling from Switzerland.⁷⁰ Australia has been prominent in these efforts, providing training

and equipment to build Sri Lankan Government capability. This support has included computers, specialised intelligence software, office equipment and vehicles.⁷¹

Other agencies have also been involved; for example, the US has provided seaport security training for the police through the US Coast Guard.⁷² Sri Lanka has itself also provided law enforcement training to others, in the form of counter-narcotics assistance to members of the Maldives National Security Service.⁷³

Multilateral law enforcement cooperation

At the regional and global levels, Sri Lanka has engaged in a number of initiatives to counter drug trafficking, people smuggling, money laundering and maritime crime. Most of its law enforcement cooperation efforts at the coordination level have been with the South Asian Association for Regional Cooperation (SAARC). The Sri Lankan Government was at the centre of efforts to establish the SAARC Convention on Narcotic Drugs and Psychotropic Substances (1990), the Colombo-based SAARC Drug Offences Monitoring Desk (1992), the SAARC Conference on Cooperation in Police Matters (first held in Colombo in 1996) and the SAARC Coordination Group of Drug Law Enforcement Agencies.⁷⁴ Along with Australia, the country was also involved in the Colombo Plan Drug Advisory Programme, which was also designed to facilitate law enforcement and intergovernmental cooperation on the issue in the region, and the UNODC's South Asia Regional Programme, which targets drug trafficking and official corruption.⁷⁵ These initiatives have helped to improve information sharing between Sri Lanka and the major regional powers, especially the major drug transit points of India and Pakistan.⁷⁶

The Sri Lankan Government has engaged robustly with the UNODC's Global Maritime Crime Programme. In 2014, it assisted in the foundation of the UNODC's Indian Ocean Forum on Maritime Crime and presented ways in which the Global Maritime Crime Programme could be extended into maritime narcotics trafficking.⁷⁷ It subsequently participated in the forum's technical meetings on human trafficking and maritime heroin smuggling held in 2015.⁷⁸

Aside from the UNODC, Sri Lanka has been an active member of INTERPOL since 1950. The Sri Lanka Police's CID is designated as the INTERPOL National Central Bureau, with the Deputy Inspector General of Police as its designated head. Memorandums of understanding continue to be signed between Sri Lanka and INTERPOL, including one in 2015 expediting the visa application process for INTERPOL officials and other foreign investigators.⁷⁹

Counter-money-laundering efforts have also been occurring on a multilateral level. Although Sri Lanka had no domestic laws prohibiting money laundering until 2006, in recent years financial regulations have been tightened to crack down on the practice and comply with international agreements. Those agreements include UN Security Council resolutions 1267 (1999) and 1373 (2001) on terrorist financing, the International Convention on the Suppression of Terrorist Financing (2005), the regulations set out by the Financial Action Task Force (1989) and its subsequent updates, and the standards established by the Asia Pacific Group on Money Laundering (1997).

The initial tranche of compliance laws included the *Convention on the Suppression of Terrorist Financing Act* (2005) and the *Prevention of Money Laundering Act* (2006), which forbid transactions involving profits from 'dangerous drugs, terrorism, bribery, corruption, firearms and explosives, foreign currency transactions, transnational organized crimes, cybercrimes, child pornography and trafficking of persons'.⁸⁰ The FIUCBSL was also established in 2006, and became a member of the Egmont Group of Financial Intelligence Units in 2009.⁸¹ Despite the improvements brought about by the creation of these frameworks, enormous enforcement challenges remain.

More recent have been multilateral efforts to counter people smuggling. Sri Lanka has been one of the 11 states engaged in the Australian-instigated Law Enforcement Joint Management Group on People Smuggling since the group's establishment in 2014.⁸² The Sri Lanka Police are due to host the third annual meeting of the group in Colombo in 2016.

The demise of the ‘Sea Pigeons’: a transnational crime success story

One of the unheralded success stories in combating transnational crime in the region has been the international cooperation that accompanied the Sri Lanka Navy’s efforts to destroy the LTTE’s maritime logistics capability in the fourth and final phase of the civil war, from 2006 to 2009.

In mid-2006, the navy decided to shift from intercepting smaller smuggling vessels in Sri Lanka’s littoral waters to a strategy of tracking and destroying the larger LTTE freighters in international waters. To do that, Sri Lanka asked for the assistance of the Indian military and the US Pacific Command, which gave the Sri Lanka Navy access to the maritime patrol aircraft, satellite surveillance and signals intelligence needed to track vessels beyond the 100 nautical mile range of the Sri Lankan coastal radar network. By 2006, the navy had also managed to rebuild its bluewater naval capability, putting to sea a force of three offshore patrol vessels and a flotilla of support vessels capable of intercepting enemy vessels as far as 3,000 kilometres away. Operations conducted to intercept and destroy the freighters at sea were wildly successful. Between March and October 2007 alone, the navy destroyed six Sea Pigeon freighters. The tally during the final phase was eight, out of an estimated fleet of eleven.⁸³

Good cooperation, but limited impact

Law enforcement cooperation between the Sri Lanka Police and regional and global allies has generally been very good, and Sri Lanka has been at the centre of a number of long-term multilateral counter-trafficking initiatives. Likewise, bilateral arrangements designed to address immediate issues, such as the agreements between the AFP and the Sri Lanka Police on combating transnational crime, have also encountered a great deal of success. However, this cooperation is likely to remain of limited use unless the Sri Lankan police and military recalibrate their efforts to meet new threats and develop effective anticorruption measures.

REGIONAL IMPLICATIONS

The implications of trafficking for Australia and Southeast Asia are varied, as each plays a different role in transnational trafficking routes. While Australia, like Europe and North America, is considered an endpoint or market for trafficked drugs and illegal migrants, Southeast Asia has traditionally been seen as a transit or source point. The differences aren't only economic: Southeast Asia's high levels of official corruption, lax law enforcement, expanses of poorly policed territory, porous borders and strategic geographical location have made it attractive to crime. However, it must be kept in mind that the real centre of gravity of Sri Lankan transnational crime remains South Asia (especially southern India); the region beyond is of secondary importance.

Southeast Asia: transit and source

With the end of the LTTE's large-scale arms smuggling efforts, the main impact of Sri Lankan smuggling on Southeast Asia has been in the country's use as a transit point for people smuggling into Australia and other developed countries and as a source for support.

Typically, prospective migrants are flown to locations in Southeast Asia from Sri Lanka on legitimate or forged travel documents. Those locations include Thailand (especially Bangkok, which was favoured by LTTE people smugglers), Malaysia and Indonesia. Once they arrive legally at their Southeast Asian transit point, they are either given new documents (sourced in Southeast Asia) so that they can travel to target countries by air or directed to sea vessels.⁸⁴

Whilst these illicit people flows appear to be viewed as a commonplace irritant by the region's governments,⁸⁵ there's been concern about the security implications of the involvement of former LTTE cadres in the people-smuggling trade. It's alleged that 37 boatloads of Tiger cadres left the remnants of LTTE territory by March 2009,⁸⁶ and a handful of LTTE commanders have since re-emerged in Malaysia.⁸⁷ In 2009, Malaysian authorities arrested and extradited the LTTE's former procurement chief and de facto leader, Selvarasah Pathmanathan,⁸⁸ while in 2014 four former LTTE members were arrested in Malaysia on terrorism and people smuggling charges.⁸⁹

The drug network links between Sri Lanka and the region are more difficult to quantify. However, it appears that the regional flow of illicit drugs mainly involves heroin moving from the Golden Triangle area (primarily Myanmar) into Sri Lanka for transshipment via air to Europe.⁹⁰

Australia: destination, hiding place and small market

Australia's high living standards and relatively close geographical proximity to Sri Lanka make it an attractive market for narcotics and a sought-after destination for illegal migrants. It has also become an attractive place for former LTTE members to hide, although their success has been very mixed.

The primary impact on Australia from Sri Lankan transnational crime comes from Sri Lankan smuggling gangs and Sri Lankan citizens paying people smugglers to illegally enter Australia. The number of unauthorised arrivals from all locations to Australia increased sharply in the immediate aftermath of the civil war, rising from 60 boats carrying 2,726 people in 2009 to 301 boats carrying 20,647 migrants at the height of the influx in 2013.⁹¹ However, Sri Lankans

using these services made up only a small proportion of those arriving by boat. During a peak in maritime arrivals in 2012, they numbered 6,428 out of 17,202.⁹² According to some sources, 63% of them used Indonesia as their final departure point; the remaining 37% travelled directly from Sri Lanka to Australia.⁹³ Sri Lankan gangs may still be involved in departures from Indonesia, however, as a common smuggling strategy is to compel customers to travel to a third country from Sri Lanka on their own travel documents before their departure to sea.

In recent years, coordinated efforts by Sri Lankan and Australian authorities have significantly reduced seaborne arrivals. While Sri Lanka's police and navy reduced 'push' factors by breaking up organised smuggling groups and mounting naval patrols, Australia reduced 'pull' factors by rapidly repatriating failed Sri Lankan asylum seekers and refusing to resettle claimants arriving by sea. Boat arrivals dropped significantly in 2014 and 2015, in each of which years only a single boat arrived.⁹⁴

The smuggling of LTTE cadres into Australia under the guise of seeking asylum from Sri Lankan Government persecution proved to be a more difficult problem to address. One 2011 report indicated that, of the 44 asylum seekers in Australia who had been declared to be security threats by the Australian Security Intelligence Organisation, 40 were suspected to be members of the LTTE.⁹⁵ This phenomenon wasn't confined to the immediate aftermath of the war. In July 2014, two former members of the LTTE involved in people smuggling (including one who was a recognised refugee living in Australia) were charged with immigration violations and terrorism offences in Malaysia.⁹⁶

Australia was a minor part of the LTTE arms and logistic network, playing smaller role in the Tigers' calculations than Canada or Britain. Some sources allege that the Air Tigers (the air wing of the LTTE) acquired their two ultralight aircraft from Australian company AirBorneWindsports during 1997–98.⁹⁷ Terrorism expert Rohan Gunaratna also claims that the LTTE purchased items of use to it in Australia during the later stages of the war, including remote control gear in 2006 that was later used in improvised explosive devices.⁹⁸ Australia was probably more prominent in LTTE fundraising: the Sri Lankan Government has estimated that perhaps 20–30% of the organisation's external revenue was being sourced here. Some of that money may have come from credit card skimming crimes.⁹⁹

For Australia, drug and arms trafficking based in or routed through Sri Lanka appears to be a relatively small problem. Australian Crime Commission data on drug importation for 2013–14 (and for the six previous years as well) indicates that Sri Lanka wasn't a significant embarkation point or source country for heroin, cannabis, cocaine, anabolic steroids or ATS.¹⁰⁰ The last time Sri Lanka was included as a major embarkation point was in 2007–08, when less than 5 kilograms of cannabis from the country was detected by Australian Customs.¹⁰¹ Although a resurgence of the Sri Lanka – Australia smuggling route can't be ruled out, it currently appears to be a low-order threat when compared to much more aggressive drug exportation operations in regional and extra-regional states.

While there are no publicly available figures on the embarkation points or sources of origin for illegally imported firearms, overall figures on the origins of illicit arms suggest that they make up a very small percentage of the total stock of firearms on the black market in Australia. According to Australian Crime Commission figures from 2012, only 4% of illegal handguns and 0.1% of illegal long arms (rifles and shotguns) were imported from overseas.¹⁰² The threat of arms smuggling from Sri Lanka therefore appears to be minimal, regardless of the percentage of the total number of smuggled arms that it constitutes.

Different impacts make regional cooperation hard but vital

Sri Lanka's proximity to South and Southeast Asia (especially to areas with poor or non-existent government control) and its role as a transit point for international contraband have resulted in tight links between organised criminal groups in Sri Lanka and regional states. The impact of transnational crime based in Sri Lanka differs by country and region, complicating the development of a blanket multilateral response. In devising a solution, it must be remembered that each state afflicted is merely one part of a much longer supply chain, and that the only successful method of disrupting these criminal operations is to aggressively target the sources. This was effectively demonstrated by the vast reduction in criminal activity that occurred after the LTTE's core was annihilated in 2009 and in the more recent Australian successes in limiting flows of economic migrants and asylum seekers through enhanced cooperation with the Sri Lankan navy and police.

The LTTE among the Tamil Diaspora Post-2009

A major legacy of the Sri Lankan Civil War has been the establishment of a sizeable Tamil diaspora, primarily concentrated in India, Northern and Western Europe, Southeast Asia, and the Anglosphere. This proved to be a highly valuable asset to the LTTE during the course of the conflict, with the organisation establishing sophisticated fundraising and propaganda networks designed to exploit the new found wealth of the migrants. Estimates of the monthly revenue raised by the LTTE's external financial network vary, but analysis from the late 1990s onwards points to between one and three million USD per month.¹⁰³

Whilst the LTTE's conventional military capability and Sri Lanka-based leadership were decisively eliminated in 2009, the group's overseas operations among the diaspora largely remained untouched. These organisers among the diaspora were joined by a significant number of militants exfiltrating from LTTE territory by sea during the end phase and immediate aftermath of the war.¹⁰⁴ At the same time support within the diaspora for an independent Tamil state remained high, despite the political fragmentation and sometimes violent infighting which occurred in the wake of the LTTE's military demise.¹⁰⁵

Arrests of former members of the LTTE around the world appear to indicate that its terrorism, people smuggling, counterfeiting and terrorist fundraising activities are continuing, albeit at a vastly lower level. In 2009 and 2010 LTTE operatives were arrested in a series of raids in Thailand, the Netherlands and Germany with large amounts of cash, documents and forged EU passports.¹⁰⁶ Terrorist fundraising and extortion cases involving the group's cadres also continued to be prosecuted in the Netherlands and Switzerland into 2011 and 2012.¹⁰⁷ In addition, Sri Lankan authorities allege that an armed LTTE cell broken up in April 2014 was directed from an unnamed country in Europe.¹⁰⁸

Malaysia has been a particular centre of LTTE activity since the war. Since May 2014 nine former LTTE operatives have been arrested on terrorism or immigration charges, including several previously known to have been involved in terrorist activity outside of Sri Lanka. In each incident the suspects were caught with large amounts of foreign currency, forged passports and LTTE propaganda. Malayasian officials commenting on these arrests have alleged that those arrested were 'trying to revive [the LTTE] using their contacts in Europe and other countries,' and 'planning to reactivate the group by making Malaysia as their base of operations.'¹⁰⁹

More disturbing have been reports from the Indian state of Tamil Nadu. In June 2010 suspected LTTE militants sabotaged railroad tracks in Villupuram District with explosives, in an attempt to derail a night train. No casualties occurred.¹¹⁰ Later that month four LTTE operatives were arrested by Indian authorities whilst preparing to smuggle 5,330 explosives detonators via sea into Sri Lanka.¹¹¹ In July 2015 a former high ranking LTTE operative and two local Tamils arrested by Indian police were found to be in possession of 75 cyanide capsules (such capsules were frequently worn by LTTE operatives during the War to avoid capture), 300 grams of cyanide, four GPS sets, seven mobile phones and large amounts of Indian and Sri Lankan currency. One of the arrested men was a local drug dealer, illustrating the synergies between the LTTE and organised crime. The group appeared to be preparing to infiltrate Sri Lanka's north coast via sea.¹¹²

Issues also remain with the remnants of the LTTE's worldwide supply network. A portion of its large fleet of cargo vessels remains unaccounted for, with at least four Sea Pigeon freighters still operational and controlled by former LTTE cadres in the UK and Philippines.¹¹³ Some commentators have concluded that the network could resume its funding, purchasing and smuggling arms at relatively short notice.¹¹⁴

These remnants of the LTTE among the diaspora are likely to continue to cause persistent, if low to medium level, issues for law enforcement authorities around the world, including Australia.

RECOMMENDATIONS

While the balance of evidence indicates that the transnational crime situation in Sri Lanka has generally improved, a number of important areas need to be addressed to confirm that assessment and stop existing problems becoming more serious. The only party capable of seriously addressing these issues is the Sri Lankan Government, with the solid backing of regional governments and those states directly affected by transnational crime.

For the Sri Lankan Government

1. Immediate steps need to be taken to audit and regulate the rapidly growing private military company-cum-weapons storage industries and to control the availability of small arms more broadly. Allegations raised in the Sri Lankan media and by the Sri Lanka Police about arms trafficking in the sector clearly warrant further investigation, and the Sri Lankan Government should ensure that such investigations remain untainted. The close links between private military companies and former and serving military officers also require thorough investigation to prevent the prospect of any leakages from government weapons stocks.
2. The incidence of government and military corruption has proven to be either the originator of or an exacerbating factor in all forms of transnational crime in Sri Lanka. The country received a score of 38/100 (on a scale in which lower numbers indicate higher corruption levels) in Transparency International's 2014 Corruption Perceptions Index, and corrupt practices are estimated to cost the Sri Lankan Government Rs 100 billion every year.¹¹⁵ It's evident that corruption involves diffuse elements of the Sri Lankan public service, law enforcement agencies and the military,¹¹⁶ while an engrained patronage culture has historically proven to be problematic in attempting to address these matters.

Perhaps the best way to address this problem is to reform the Commission to Investigate Allegations of Bribery or Corruption, which was founded in 1994. It has become increasingly apparent that the commission has failed to investigate corruption on anything near the scale required, and it hasn't managed to adequately prosecute high-level figures. Structurally, it lacks the power to initiate its own investigations and suffers the potential conflicts of interest that emerge from being staffed mainly by police officers.¹¹⁷ Despite recent increases in personnel numbers, it also lacks the staff necessary to operate as a national-level body.¹¹⁸

While the current leadership of the agency appears to be strongly focused on remedying these issues, problems are likely to persist until a significant restructuring of the organisation is undertaken. This must include the provision of adequate resources (both finance and personnel), independent investigative powers, a reduction in Sri Lanka Police involvement and a stronger legislative foundation.

3. The establishment of the Sri Lankan Coast Guard in 2009 was a major step forward in Sri Lanka's long-term effort to deny the use of its maritime domain to organised crime.¹¹⁹ Along with its other roles, the force is specifically tasked with preventing drug trafficking and human smuggling, supplemented by the Sri Lanka Navy in the bluewater domain.¹²⁰ Every effort must be made to ensure that the planned expansion of the number and geographical dispersion of coastguard stations is implemented, and that its fleet not succumb to the type of

wilful neglect that seriously eroded the capabilities of the Sri Lanka Navy during the last long stretch of peace in the 1970s.

4. Container screening infrastructure and procedures at Sri Lanka's seaports are manifestly inadequate, resulting in only 180 of the 24,000 containers arriving in Colombo Port every month (or 0.75% of the total) being properly screened. Sri Lanka's ambitions to become a regional logistics hub by 2020¹²¹ should be taken by the Sri Lankan Government as a chance to expand the Customs Service's Central Cargo Examination Division, reform its procedures and acquire sufficient quantities of modern cargo screening equipment. In the past, Australia's Customs and Border Protection Service aimed to screen 5% of imported sea containers,¹²² while the US screened 4.1% of container imports in 2011.¹²³ These figures offer a rough aspirational target for the medium to long term.

For regional governments

1. The involvement of Indian nationals and territory in the trafficking of people and illicit goods across the Palk Strait means that any solution to Sri Lanka's issues will require a co-equal response from the Indian Government. The southern Indian states of Tamil Nadu and Kerala have a long history of being used illicitly as safe houses and departure points for smugglers, and smuggling is often seen as a traditional means of supplementing income. At the same time, the sheer number of vessels crossing the international boundary each day (said to be in the thousands)¹²⁴ puts the capability to locate smugglers beyond the reach of a single country.

The Indian Government should therefore look beyond the annoyance caused by the frequent detention of its fishermen by the Sri Lankan authorities for fisheries violations and increase its cooperation with Sri Lanka in monitoring and patrolling the strait. Cooperation could potentially include greater law enforcement intelligence sharing, coordinated maritime patrols between the two countries' navies and coastguards, and the sharing of data gathered by the coastal radars of each side.

For the Australian Government

1. Wherever Australia is involved, it must support the anticorruption measures recently instituted by the Sri Lankan Government. High-level corruption opens the Sri Lankan Government to links with organised crime and weakens its ability to investigate lower level corruption. The Australian Government's assistance should include impounding suspect funds within Australia, providing police cooperation and extraditing all corruption suspects who attempt to evade arrest inside the country.
2. To remedy Sri Lanka's inadequate seaport cargo screening capability, and the vast opportunity that this opens for organised crime, Australia should offer Australian Border Force training and equipment to the Central Cargo Examination Division of Sri Lanka Customs. Current screening levels are clearly ineffective, opening an obvious entry vector into the country. Improvements in this area would undoubtedly help to reduce narcotics transshipments.
3. Australia should continue to provide materiel support and training for the Sri Lanka Coast Guard and Navy in order to improve their interception and coastal patrol capabilities. Because transnational crime in Sri Lanka relies mainly on the sea as an entry and exit vector, any investment in maritime law enforcement capability would be likely to have a disproportionate impact on the ability of criminal groups to operate.

One way this could be achieved is through assisting the Sri Lanka Coast Guard with the acquisition of suitable long-range patrol vessels. Although it would be costly and unwise to attempt to augment the coastguard's procurements with Australian funds (as in the Pacific Patrol Boat Program), it would be prudent to offer Sri Lanka preferential deals on the decommissioned Royal Australian Navy vessels and equipment that are likely to become available during the current period of naval modernisation. Over the next 15–20 years, Australia will gradually decommission its 13 Armidale-class patrol boats, four Adelaide-class frigates and eight Anzac-class frigates. Providing even a few of these vessels to the Sri Lanka Navy or Coast Guard at reduced cost would result

in a massive capability boost and allow those services to increase their interceptions of bluewater and littoral smuggling vessels. This would dovetail well with the Sri Lanka Navy's shift from a wartime small-boats oriented footing to a bluewater maritime constabulary role.¹²⁵

A second method of achieving this is to harness the considerable operational experience accrued by the Australian Border Force in maritime patrols and offering Sri Lanka greater training opportunities. This could potentially include training in Sri Lanka and exchanges of experienced personnel from both countries.

A third potential area of support lies in the Australian Border Force's significant experience in organising seamless cooperation between civilian and military assets in a coordinated maritime border protection program. It could therefore assist the Sri Lanka Navy and Coastguard to devise a model for cooperation, possibly including a unified command structure.

4. Australia should build on its longstanding cooperation with the Sri Lanka Police on money laundering and people smuggling through training and exchanges. While the AFP already liaises with Sri Lankan authorities in-country, this cooperation could be expanded into assistance in countering narcotics, arms and human trafficking.

The transnational crime threat from Sri Lanka has changed, but not disappeared

While the state of transnational crime in Sri Lanka may be relatively low on the list of the Australian Government's security priorities because the people smuggling problem has been reduced, the situation will continue to require close attention. This is because many of the underlying issues, such as poorly controlled borders, institutional and political corruption and inadequate resourcing of law enforcement agencies, remain largely unresolved. The current high level of cooperation between Australia and Sri Lanka over people smuggling should be used as a means of remedying these problems while at the same time strengthening regional order through cooperation with other regional stakeholders.

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ACRONYMS AND ABBREVIATIONS

AFP	Australian Federal Police
ATS	amphetamine-type stimulants
CID	Criminal Intelligence Division
FIUCBSL	Financial Intelligence Unit of the Central Bank of Sri Lanka
GDP	gross domestic product
LTTE	Liberation Tigers of Tamil Eelam
SAARC	South Asian Association for Regional Cooperation
UNDOC	UN Office on Drugs and Crime

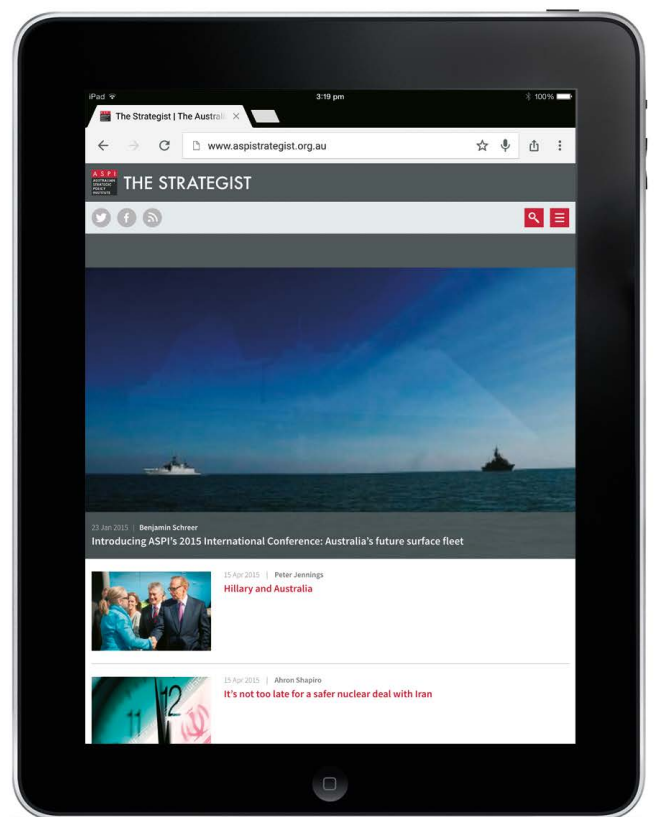
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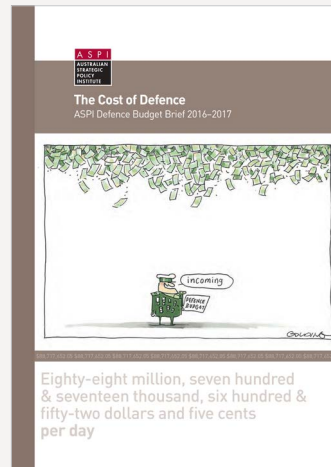


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