

THE BROOKINGS INSTITUTION
CENTER FOR NORTHEAST ASIAN POLICY STUDIES

**COMBATING TRANSNATIONAL
ORGANIZED CRIME IN EAST ASIA:
TRAFFICKING IN HUMANS, MONEY, AND
ILLICIT MATERIALS**

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PROCEEDINGS

RICHARD BUSH: Good morning. Could I have your attention, please? My name's Richard Bush. I'm the director of the Center for Northeast Asian Policy Studies here at Brookings. It's my real pleasure to welcome you here. That's one of my duties this morning, to welcome you and thank you for coming.

My second duty is to commend the four visiting fellows of the CNAPS program this spring, who have really enriched our program and added to my knowledge of some very interesting subjects. And third is to pass the baton over to my esteemed colleague, Vanda Felbab-Brown, who will moderate the discussion today. And, Vanda, the floor is yours.

VANDA FELBAB-BROWN: Good morning and thank you, Richard. It is a very great pleasure to be here with you this morning, and it is really great to see the interest in Washington on issues of organized crime in East Asia and also on discussions on crime in Washington centered on Latin America that so very good reasons that Latin America is of our close neighbor that they are deeply connected in various ways, and a lot of transnational crime in the Americas flow indeed between the two continents within the Western hemisphere.

But increasingly, transnational crime is in fact transnational, very global; and certainly developments in organized crime in East Asia impinge critically upon public safety in other regions, often in very deep and surprising ways. And also East Asia is very interesting for providing a great scope of lesson from the field of counternarcotics to the field of illegal logging, human smuggling. And so learning from how crime that has evolved and how responses have evolved is very important.

I am delighted to share the podium today with our visiting fellows. I will not give extensive introductions. You have the welcoming statement, and so you can see the bios. Let me just say that they are all very prominent experts in the fields that they'll be talking about. And it's been a great pleasure not just for Richard but for us at Brookings, and you'll see this morning also for you to hear their comments and lessons and recommendations from topics of transnational crime.

Because we have so many presentations, I'll really stop with my remarks and just let you know a little about the format. Each of us will talk about a different topic for about 10 minutes, and then we'll open up for a question-and-answer period.

Nelson Cheng, who will start, who is a police officer from Hong Kong where he focuses on money laundering, counternarcotics, and other serious crimes will open the discussion with issues on discussion transnational crime.

Then Haimei Shen, the permanent anthropologist from China, will park

about human smuggling in Taiwan. I'll -- they'll speak briefly about illegal logging and illegal trade of wildlife in East Asia and the Asia Pacific Region; and finally Taiwan will little bit transition us from crime per se to talk about nuclear proliferation in the region. But I think that nuclear proliferation is a good ending to the presentation before we start in the discussion, because it is one of the markets that there are great levels of complexities: What is legal? How does illegality nonetheless interact in political imperatives? At what point do legal economists become truly legal? At what point do illegal economists become nonetheless social or politically acceptable? And indeed these same considerations emerge in all of our discussions, but rather prominently I suspect in Tuan's.

With this, Nelson, please, you can start.

NELSON CHENG: Yes, thanks for the wonderful introduction. Good morning, ladies and gentlemen.

These presentations are -- or my presentation is just to give you a short overview of my research with Brookings, which is basically to measure the effectiveness of the financial investigations or money laundering investigations in terms of the U.S. and Hong Kong in combating transnational crime. It is just basically a comparison study between the Hong Kong regime and the U.S. regime to see whether they are effective in combating transnational crime and also to identify respective strengths and weaknesses for weapons by each other and by other international law enforcement agencies.

But before I move onto the details, I would like to make you clear on one point. Although the research is about financial investigations or money laundering investigations, but the focus or the assessment is on the effectiveness in combating transnational crime or combating organized crime, because -- and not on anti-money laundering, because anti-money laundering is only a means to an end. Anti-money laundering is not the end. The end or the underlying purpose of anti-money laundering actually is to compare organize crime or compare crime. So, that's why I put the focus on making sure the assessments are measuring the effectiveness in combating organized crime rather than on anti-money laundering.

So, organized crime -- with globalization and advances in information technologies, nowadays, criminal activities are getting more transnational in Asia, more mobile, efficient, and secretive in their operations. Nowadays, criminals they export very well the jurisdictional incompatibility to create a very low-risk environment for them and also for their criminal activities and also they insulate themselves very well from the crimes they plan and organize.

International law enforcement efforts have been very good at interdicting the criminal activities, I would say -- oh, I believe -- but only with the arrest of some low-level operative, only with the arrest of some front men. The efforts

have not been very good at arresting or prosecuting the prime offender or the mastermind behind and also not good at confiscating or getting their money. And international law enforcement community -- they generally agree that an effective law enforcement effort has to be able to interdicting the criminal activities, getting or prosecuting the mastermind or the prime offender and getting their money -- i.e., going after the crime, the people, and the money.

So, the international law enforcement community -- they are generally or gradually aware that in order to effectively get the money and to get the people, get the prime offender, they have to rely more on financial investigations or money laundering investigations to make them more effective in getting the people and the money, because then you might -- the people, the prime offender -- they insulate. I just said they insulate very well from the crime they organize and plan.

So, this is the background leading to my research and for the purpose of my research I definitely to examine and compare the Hong Kong regime and the U.S. regime to see whether they can facilitate and enable their respective law enforcement agents to go after the people and money. And for that purpose, I needed to examine some of the relevant, legal, and practical institutions of the two regimes, which include their money laundering offenses, the asset forfeiture regimes, their investigative powers, techniques, their financial intelligence capability, and some of the practice relating to their domestic cooperation and international cooperation.

Because of the limitation of time I don't have enough time to go through all the findings for you, but I would like to highlight some of -- or two of the more significant findings relating to -- or in respect to the money laundering offenses and the asset forfeiture regimes.

For money laundering offenses, my research found that the U.S. money laundering offenses is very complex. The many qualifications of the offense makes the offense very limited in scope, and actually it's very difficult to prove, whereas, on the other hand, the Hong Kong money laundering offense is very simple, very wide and basic and easy to prove. In Hong Kong nowadays we very often use money laundering offenses to get the prime offender, the mastermind, and has been very successful. And if Hong Kong money laundering offense gets similar imitations of the U.S. offense, those successful cases wouldn't have been successful in Hong Kong.

As for the asset forfeiture regimes, it is on the opposite. I found -- or the research found that the U.S. regime is very comprehensive. It got the (inaudible), criminal, and mistreated forfeitures and has been -- and the law enforcement has mixed very impressive results. Each year they had 20,000 cases involving a substantial amount, whereas the forfeitures regime in Hong Kong is very limited. And, you know, we only have the criminal confiscations or criminal forfeiture, which means that, you know, before we can confiscate the assets of the criminal we need to have the conviction. So, that makes the regime very limited and restricted. And we saw all the

enforcement figures have not been very impressive compared to the 20,000 cases in the U.S. In Hong Kong you have 50 cases a year.

So, my conclusion -- but those findings are just two of the many findings I got from my research, because I don't have too much time to go through each and every finding. But my conclusion I would like to tell you is that -- and obviously that U.S. money laundering investigations regime is very good at going after the money but may not be good at going after the people for the reasons that I just explained to you. And on the other hand, Hong Kong is good at going after the people because of the robustness of the money laundering offenses but may not be good at going after the money, because it's true, you know, which regime is more superior than the others I cannot draw any conclusion because they have their respective strengths and weaknesses.

I can also not -- I cannot say for sure that, you know, which regime is more effective because of the respective strengths and weaknesses, and I can also not say for sure that they are more effective, because, you know, if I look at the enforcement figures, actually the enforcement figures are really good. For example, in the U.S., every year they prosecute around 3,000 people for money laundering. But I don't know -- I am not sure, because I don't have that information, this amount is 3,000 people -- how many of them are prime offender or how many of them are just front men or, you know, just money launderers. I'm not sure, but just look at the enforcement figures. It's not too bad.

In Hong Kong every year we prosecute 400 people for money laundering, and I know -- and I know that many of them are prime offenders. But I can say for sure, although I'm not sure of many things, but I can say for sure that if the efficiency or the weaknesses which identify by my research are not to be fixed very soon, then the two regimes will not remain to be effective or relevant in the very near future.

I've got some recommendations for the U.S., obviously. The U.S. authority may wish to widen the scope of their money laundering offense. The Hong Kong authority may wish to review of their asset forfeiture regime to see whether Hong Kong should introduce forfeiture in their regime.

I also got some recommendations for international organizations such as the Financial Action Task Force. The Financial Action Task Force is the highest authority on anti-money laundering. They set standards and also evaluate member jurisdictions as to their effectiveness in implementing those standards. And those standards we normally or commonly call recommendations.

So, my recommendations to the Financial Action Task Force is that they should put more regard to the underlying purpose of anti-money laundering when they formulate or revise their recommendations and evaluation methodologies.

The other recommendation through another international organization is the United Nations. United Nations adopted the UNATOC – the Conventions Against Transnational Organized Crime in 2001. They set the standards. There are 41 articles. The basically are interesting standards against transnational organized crime, including corruption. But since the adoption of the conventions, they have done very little about how to ensure the member countries to effectively command the articles, because they still haven't formulated evaluation of authorities and still formulate a mechanism to evaluate and to -- if a found member country failed to implement the article or the standards, they haven't had any sensing mechanism. And, you know, a convention without a sensing mechanism is just like tiger with no teeth. So, I would urge the United Nations to put in place as soon as possible evaluations and sensing mechanism to ensure member country to implement the articles of the conventions of the U.N. ATOC.

So, this basically -- my recommendations arising from my research and this basically concludes my short presentation. And this is my last day at Brookings, so I don't use the Brookings e-mail. This is my e-mail with the Hong Kong police, if you would like to further discussions on this, you may by all means communicate with me through this e-mail.

Thank you very much.

DR. FELBAB-BROWN: Thank you, Nelson. You can see that Nelson is not only a very prominent law enforcement officer and a great researcher but that he is also a very good law enforcement officer who stays to the 10-minute time allotted to us without my having to wave any flag.

So, thank you very much for that as well as for a fascinating talk. One of the very fascinating conclusions of course was about the difference in the U.S. and the Hong Kong system and that there's critical implications for how broadly interdiction is thought about. Should interdiction be going after the money? Can we eliminate or reduce crime by sapping the money? Or should interdiction focus on high-value targets, going after the masterminds and primary offenders. So many great conversations I'm sure to follow with Nelson.

HAIMEI SHEN: Thanks, Vanda. Thanks, Richard. Thank you for coming. My topic today is trafficking women across the Yunnan-Myanmar border in transnational migration era China.

Let's start from a story, start from Bamishka story. Yi Yi Ye experienced deception transported to several places in China and they're sold by smugglers and are forced to marry a Chinese single man. I think you can read lots of stories about the women victims in human trafficking, but for social science research, we need reasonable issues. I think there are several issues that need to come forth in

this case.

The first, the Asian women leave the house, they have to face the traditional rice cultivation to industry and the women become more easy to morbidity, and it is obviously women can cross borders to different countries. That's feminized mobility and migration.

The second, China is a destination for Asian female immigrants. We all know China is a traditional immigrant-seeking country. But now it faces transformation as a receiving country. But as the China government gets ready to deal with the irregular female immigration, we need to address these questions.

The smuggled and trafficked women are often forced to marry Chinese single men, so what are the social dynamics? This we need to know. And human smuggling, the trafficking across China-Myanmar border, how serious is this. And what is the meaning for China's government to deal with the human trafficking issues?

The fourth issue of human trafficking is huge profits in the transnational crime cross-network of friends in the family. So, this regional cross-border crime features, I think. And also 4P paradigm -- prevention, protection, prosecution, and partnership inviting human trafficking. So how does the Chinese government practice the 4P? So, my recommendation for the policy is toward their equalization of irregular migration.

I think the state come from the national population censuses last year. I think the number is significant. In Myanmar, around 40,000 Burmese people are already living in China and at least this three months or maybe longer. So, now Myanmar ranks No. 4 in the top 10 countries of foreigners residing in China. According to the border survey, 70 percent are women. So, this feminized immigration for Asian women. But for Myanmar, I think the situation is worse, because the long-term civil war entered this area, these drug abuse issues, and also HIV-AIDS epidemic issues, women are forced to mobility to choose a new life. I think this is the reason to push women mobility or immigrants.

Burmese women have been living in China for at least 10 years. There is some Burmese community. In their -- in one village, maybe, more than 100 Burmese women live in the same village.

So, we can see these photos come from the news report. And this is the push reason. But if we come back to China, we can see the pull reasoning. That's more still significant. I think as a consequence of the one-child policy, this is women missing actually. According to [Valerie] Hudson's research, there was around 1 million females missing during last decade every year, and I think it is sex-selective abortion, and the number will be 33 million remaining women shortage in marriage. So, from the number we can how serious this issue is.

Chinese desperate single men, also named *guanggun* [“bare branches”] in Chinese character, is a very meaningful, culturally meaningful. This *guanggun* means they are failed in life. If you cannot marry a woman, this means failure for men. So, these single men -- pictures of brides around the world, actually. This is a map in China. But we can see these domestic pictures from the west part of China. Normally they are undeveloped and poor provinces, to the east provinces, from the south to north. So, these are domestic pictures and also Chinese single men. The pictures of brides are international -- from Russia, from North Korea, and also from the south from Vietnam, Laos, and Myanmar.

I think it is Southwestern China cross-border with Myanmar face the very difficult situation, because this corner is a little bit like the Mexico border with the United States in that what was once the traditional corridor of drug smuggling and gun smuggling is now human smuggling. So, these issues actually are relative -- they are combined together so there are more complex issues.

And another reason is this area is ethnic minority. People live there, like the Kachin, Karen, Shan, and De’ang. This many ethnic minority people, they cross borders leaving both countries. In their tradition, they have their relatives cross borders, they have their traditional trade network. So, even now when the new drugs come into China, this affiliate, this traditional commercial network is based on their relatives and also their ethnicity.

So, if we see the profits of the human trafficking in this region, we can see there are big issues. Now the women’s price increased so quickly.

So, we can see how serious this is. The China government actually attended international cooperation against human trafficking, but China was placed on the tier 2 watch list during last week’s announcement in the Trafficking in Persons Report 2011.

China’s government took the several implementation plans for the NPA, but we can see some numbers in these trafficking cases and the rescue of victims and their suspects arrested during the National Plan of Action on Combating Trafficking in Women and Children. But we can see the victims rescue number is low, so there is a need to focus on what the reason is. I think they took them from the really -- there’s a cross-border county police office. This local office get assistance with more than 30 provinces to help repatriate victims back to Myanmar, so we can see Myanmar victims. They already lived around the whole country. So, this -- I think the policy blind is like the female, they are disadvantaged in migration. Many countries encourage the high-educated and the high-skilled people and the technical people to migrate, to get a policy to support them. But for the female, the less -- the many support from the policy. So, now this marriage migrates the women from Asian countries. They still cannot get the authority from the government, get the legal status and their legal marriage certification

and the legal protection. So, that means there now is *sanfei renyuan*, which means illegal to entry, illegal to residing, and illegal to work.

My conclusion is blind policy and the black market when together it makes the issues more worse. Undocumented registered marriage and undocumented married immigrants stimulates the growth of human trafficking crime to cross China borders. And now the local government explores the flexible policies, like the blue card registered for encouraging for the foreign brides to register with the government and that after they register, they get a blue card and they can share their medical insurance and subsidy from the local government. I think those are very important steps toward the equalization of the irregular migration in China.

So, there's human trafficking and illegal migration depends on innovation migration strategies and the formulation of immigration law, strangely, capability in mechanism building, effective transnational migration both legal and illegal. So, those are my policy recommendations.

Thank you for your attention. (*Applause*)

DR. FELBAB-BROWN: Thank you very much, Haimei, again, another fascinating presentation, and one cannot think about some of the parallels and differences in the U.S. debate about how to deal with illegal immigration, much broader of course, and some of the issues and complexities facing China -- and, further on, specifically the trafficking of women.

Sandy, a police officer from Taiwan, will continue.

SANDY YEH: Good morning, ladies and gentlemen. I'm going to talk a little bit about Taiwan's human trafficking efforts with the findings of the challenge and recommendations.

My e-mail address is at the bottom of this. If you have any further questions after my presentation, please feel free to contact me.

Human trafficking is a form of modern day slavery, and as a matter of fact it's also a gender-biased violence, because most of the victims are women and children. And it's a byproduct of globalization and also the biggest challenge faced by all the law enforcement communities in the world. And Taiwan is no exception.

So, to respond to this challenge of the U.S. Department -- the United States Trafficking Victims Protection Act of the year 2000, and it is some year United Nation also passes similar protocol to prevent, suppress, and punish trafficking in persons. And the rising number of research to talk about the push-and-pull factors of the rise of human trafficking.

But in general, those trafficking syndicates prey on poverty, despair, war, crisis, economic disparity, social discrimination, gender inequality, natural disaster. In other words, they prey on the most vulnerable population in the world.

And so with the facts of the growing globalization, Taiwan is a country with only 23 million population. Now, we have an increasing number of international immigrants living in Taiwan as long-term residents. As statistics show, the majorities are foreign sponsors. We also have big amount of foreign neighbors. And another thing, 220,000 international immigrants come in -- students, employees, and family members of the Taiwanese citizens. And so accompanied with the growing immigrant population, Taiwan also visits similar problems -- the rising cases of forced prostitution and forced labor.

In the map of global sex trade, Taiwan knows and identify as destination source and transit countries. So, let's break down the types of human trafficking in Taiwan in terms of the destination, source, and transit.

And so the destination country, the victims of human trafficking come into Taiwan with legal or illegal status. They come in as married immigrant or they come in as foreign labor, but most of the foreign labor are guest workers. And some of them, you know, come in as students or visitors or entertainment, but their legal status expires.

But as a source country, our younger generation also face the lower of the human trafficking group. They can be tricked by an advertisement in the newspaper or on the Internet, so they can be tricked with fraud free trip or working holidays or even meet someone on the Internet. And they fall victim as human trafficking in, you know, forced prostitution in Australia, United States, United Kingdom, and Japan. Also Taiwan serves as transit, because there are more than a hundred countries that now recognize Taiwan without -- with a visa -- with a program, so that syndicates will use a student Taiwanese identity or Taiwanese passport to help facilitate the human trafficking.

The United States State department issues a Trafficking In Persons Report every year to evaluate the country's performance in prosecution, prevention, and protection in terms of human trafficking.

Taiwan actually has ups and downs. Now we were first recognized as the best countries from 2001 to 2004, because we had a pretty advanced progress at Child and Juvenile Sexual Conception Prevention Act stipulated in 1995. But we also - - we were, you know, downgraded further, even to the tier 2 watch list in 2006. But since then we had adopted a lot of very responsive and effective measures to contra human trafficking. So, now we are back into tier 1 again.

So, just this week on Monday, the U.S. State Department released

Trafficking In Persons Report of 2011. Taiwan again was rated at a tier one country. Taiwan and South Korea are the only two nations in Asia to be rated at tier one. And if you have time to probably look into the country narratives -- okay, anyway, I only have two minutes so I'm just going to skip it. We have recognized by State Department and with the 4P -- prevention, prosecution, protection, and punishment paradigms -- we almost check every department in Taiwan into this fight against human trafficking, to provide many, many services to the victims. You know, we have social workers to accompany victims. We have a foreign neighbor hotlines with four different languages. We have shelters for victims. We even provide a variety of self-employment activities to help those victims of forced labor or forced prostitution to stand up, and we brought in experts from international communities so that locally we had a comprehensive public awareness campaign, and we also had political wills from the very top. The president signed an agreement to fight against human trafficking. But we have our challenges, many because the law is so new that the judicial part of judged -- they still stick to the very conventional rule of evidence. So, it's very difficult to convict or sentence the traffic with the severe sentence that they deserve. And also those victims from sending countries, they were exported back to their sending countries. As you can see on the slides, the Vietnamese, the worker they're paying up to U.S. -- \$7,000 U.S. for their brokerage fees.

And with the very spacious political situation of Taiwan, we had problem to continue our, you know, legal efforts with the sending country, and that's why, you know, I have come up with some recommendation. I think we have to continue to strengthen the professionalism to the criminal justice system, and we have to impress the sharing of information and experience with our local community and with our international counterparts.

By saying that, I'd like to share our, you know, experience to, you know, climbing up from the very bottom of the watch list, tier 2 watch list, to tier 1, the experience with our sending countries and with our, you know, big brothers like China, because they have been staying at tier 2 watch list, like, forever. So, that's my conclusion.

Okay, thank you.

DR. FELBAB-BROWN: This is a sign of a great researcher, that she can continue very succinct and make critical observation even when disturbed by external forces, such as time running out.

And, you know, Sandy's presentation was fascinating in many ways, including because there is now an important debate going on in Congress how much to resource if at all the State Department Bureau that is focused on human smuggling, and it is very interesting to see that the State Department evaluation has had an important impact at least in Taiwan albeit given perhaps particular sensitivities in Taiwan because of its political situation and relations with the United

States. But nonetheless hearing when the evaluation works and when it doesn't should be a critical part of Congress' considerations about how much and in what way to fund the Bureau.

And now perhaps the hardest task of policing myself for the next 10 minutes as I talk about illegal logging and illegal trade in wildlife. So, Sandy, feel free to (inaudible) the favor and punch me when I run out of my 10 minutes. Thank you.

DR. YEH: I'm the law enforcement.

DR. FELBAB-BROWN: Indeed. (Laughter) Both illegal logging and illegal traded wildlife are acutely terrible in East Asia and Asia more broadly. But they are, at the same time, at the bottom of interest for government regulatory policies and often at the bottom of law enforcement priorities. Yet, they each reach critical levels in the region, often with great costs -- economic cost as well as environmental costs -- often irretrievable loss of species and biodiversity. And this is region that is one of the key bio-drivers of the hotspots in the world where when the species go, they are lost forever with great impact on the overall eco system and great impact on the well-being of human beings as well.

I have two new papers available when you came in. One is on illegal logging in Asia-Pacific and one is on illegal trade in wildlife in Southeast Asia. They are both also available at our Brookings website. Each paper discusses the definitional conundrum about what illegality leads to illegal economies means and what this means for law enforcement. It discusses the various and complex threats posed by each of the illegal economies, its driver's structure of the illegal industry in each case, the actions adopted by governments so far, and each has a very extensive section in evaluating the cost-benefit's efficacy and implications of various supply side and demand side that measures both for the timber economy and for wildlife.

I don't really have an opportunity to get into the details on either of the economies. Let me just give you some flavor of the arguments and issues that each paper highlights.

In both cases, there has been a tightening of government regulation and some increase in enforcement. These are important. Yet, both economies continue to be characterized by still very regulatory frameworks, very minimal law enforcement and often very minimal penalties associated with violating existing laws, and this in cases where the pace of unsustainable logging despite some slowing down continues in the Asia-Pacific region at sustainable and environmental damaging ways. Often to the extent that we have seen slowing down, it has been less as a result of demand or supply of policies adopted but more as a result of particular it is becoming simply commercially logged out. There is simply no more forest available for logging, which is not to say that there has been no improvement in its policy in these that have, but often their impact has been smaller than we would hope for.

In the case of wildlife trade, the situation is perhaps even more dire with the volume and diversity of species traded, reaching phenomenal and unprecedented levels, in many ways the forest of Asia and increasingly for Asian markets elsewhere in the world are becoming cut out (inaudible) of wildlife.

Despite the fact that enforcement often doesn't prioritize these two economies, the nature and level of criminality, organized crime penetration, institutional corruption is really no different than in other illegal economies, and in some places illegal logging in Indonesia is, in fact, one of the critical criminal challenges that, for example, Indonesia faces; similarly in Burma. Illegal trade in wildlife is intimately connected to the networks of human smuggling and drug smuggling that Haimei was talking about.

And in both cases, both illegal economies are also linked to militancy and provide funding for terrorist groups.

China is at the epicenter and pivot of the world's deforestation, illegal logging, and timber processing. And in fact those are the world's largest wood workshop, processing both illegal and legal timber, not just from the region but increasingly from the world.

Along with China, the United States, Europe, Japan, and, increasingly, India and the Middle East are really large, robust consumers of work timber, and many of them are growing consumers of work timber. And often when regulations succeed in improving deforestation and scaling down illegal logging in one locale, the trade is simply transferred -- the undesirable activities are simply transferred to another locale in the systematic deforestation of one country after another.

And we see a similar pattern with wildlife trade where at the core of which we realize a very rapid expanding demand for wildlife. Much of it is driven by an increasing affluence of many previously (inaudible) countries.

Demand for wildlife is interesting but bifurcated between two markets, and one important consumer group marginalized community for whom wildlife may just frequently be only source of protein. But a second important group is increasingly affluent consumers, often in China or among Chinese communities around the world who consume wildlife for a variety of reasons, including particularly as part of traditional Chinese medicine that is supposed to have both vasculature powers, it's China prestige; it's supposed to have various health benefits, sexual benefits, and it's very much deeply engrained simple of status and of critical drives of expanding demand for wildlife.

So, addressing the illegal wildlife trade, one needs to think very carefully about how one would address each of the different demand markets, and

policies directed for using protein-driven consumption will not be effective when one thinks about policies, when one thinks about trade associated with traditional Chinese medicine, for example.

Let me now just give you some of the flavor of the policy effects and considerations I discussed with the two papers. There is a real need to improve law enforcement and intensify law enforcement. But at the same time, one of the conclusions in both cases is there is only so much great law enforcement can do. The structure of both legal economies is not one that easily lends itself to effective law enforcement. And indeed much of the conservation measures for both timber and forest and for wildlife will need to focus, will need to lie elsewhere, both in the demand markets as well as in other conservation practices.

In the case of wildlife, for example -- actually, I should also mention that, unfortunately, in both cases, there is really no good silver bullet. Each of the different supply or different demand policies can be quite a significant cost. And the traders are often very acute. And one of the overwhelming lessons of the paper is that specificity with respect to local cultural institutional settings is critically important, and in the case of wildlife specificity with respect to the ecological requirements of the species is also very much needed. And so it's very difficult to derive effective regulatory systems at the broad national level that apply both to wildlife and to all timber.

For example, one of the difficult questions in wildlife trade is that it wants you to adopt bans or in fact encourage legal supply of the particle species. Bans have advantages. They simplify law enforcement. They can perhaps highlight the critical stakers of the species. But the downside is that they use economic incentives for communities and stakeholders to preserve the species. And bans have often been ineffective; in some cases they have worked very well, but frequently they haven't. But the same applies to ensuring legal supplies to either farming or out of legal managed hunting. Such policies give communities, a farmer's ranch, or state to preserve the species and the ecosystem, but often this self-regulation is not sufficient and the species are in fact driven to extinction. So, in both cases there are some spectacular successes in the case of licensing crocodilians, for example, and spectacular favors in the case of licenses, tiger farming in China, for example.

Similarly, a favored approach these days to manage illegal trade and timber is the use of timber certification essentially to designate that the log and traded timber has been sourced and transported in a legal or sustainable way and that illegal timber has not been mixed into legal timber. But certification faces some of the same difficulties that law enforcement does. It's extraordinarily resource intensive, very difficult to conduct effectively notwithstanding the availability of DNA testing these days, and more often than not cannot be identified systematically, given the volumes of timber traded whether timber is legal or not.

And if certification is issued improperly, it can in fact whitewash consumer conscience and increase undesirable demand.

And a key part of the certification schemes as they often exist today is that they focus on the legality of wood. But to say that timber is logged in accordance with legal international laws does not necessarily mean these logged sustainably. In other words, legal timber can be as environmentally damaging as illegal one.

That said, some important developments have taken place last year -- over the past several years in the case of the logging industry. In Cancun, in December of last year, the big breakthrough was the agreement to adopt what's called registering emissions from deforestation and forest regulation -- essentially, rich countries agreeing to pay poor countries for keeping their forests standing.

And the United States over the past few years has adopted laws that prohibit the importation of illegal timber, and the European Union has adopted new due diligence standards that demand that importers of timber check its legality.

Again, both mechanisms face great challenges in terms of enforcement and identification, that the obligation and availability of prosecution mechanism does not necessarily redress.

Moreover, how effective the red schemes will be yet remains to be seen, and there are major critical issues not answered, such as what will be the funding? Who will fund the payoff scheme? Will there ever be developed stable and sufficiently large carbon credits? What will be the assurance that the benefits will trickle down from the governments to the poor communities who often are the principle loggers or the first-level loggers? As well as critically, what will the price structure be? If natural (inaudible) forests are not valued much, much more than reforested forests or monoculture plantations, then governments may have the tendency to deforest anyway, collapse the eco system, and get the carbon payments through reforestation, which will perhaps reduce carbon emissions but will not address bio-diversity issues.

Both the papers conclude with a set of broad recommendations that I will not get into and yield the floor to Tuan, but these are just some of the flavors of the complexities and difficulties of managing each illegal economy even as they have very important and often ignored costs for society and the planet.

And Tuan will now talk about perhaps the greatest danger that the planet faces related to nuclear smuggling and the dangers of nuclear smuggling and its intensity in Asia.

TUAN MINH TA: Thank you, Vanda.

My topic is not specifically about crimes, as other speakers did, but

somehow very much related to trafficking because this is a hot topic now elsewhere in the world, but, frankly speaking, it remains a low priority in Southeast Asia even in essence it is very worrisome, you know. So, in Southeast Asia, you know, we know that the geographical location of Southeast Asia is open very much to trafficking because of its porous borders, you know. We have mainland Southeast Asia. We have maritime Southeast Asia. But, you know, somehow, this is a very fertile soil for trafficking a number of easy items, you know, which could range from nuclear radiological items to chemicals, biological items, or dual-use technologies. And Southeast Asia is both as an origin exporter of technologies and sensitive items and also the transit and transshipment helps of trafficking of items.

As an origin exporter, we know that Southeast Asia lies in one of the world's busiest shipping lanes so the trade volumes that transits through Southeast Asia is huge, and Southeast Asian countries themselves are export-oriented economies, most of them. And I have some figures here of trade in high-tech items in Southeast Asia, for example, so to show how, say, the high-tech trade is in Southeast Asia's -- in the composition of high trade in the overall exports of Southeast Asia. For example, Malaysia's high-tech trades account significantly in its total trade volumes. At its highest point is 63 percent in 2000, and now most recently is around 40 percent. And amongst other things, you know, these items could include aerospace, new computers, scientific instruments, you know, you name it, all these kinds of new technologies.

And as a transit and transshipment hub, Southeast Asia has a number of seaports, river ports, airports, and Southeast Asia's a very convenient location for transits and transshipments of illicit trades in the regions, and the reason I guess show that the problems have become much more serious. You know, now here I will need slide 2. Most recent case was three months ago, which involved suspected illicit, highly sensitive materials. One guess, just last month actually a seizure of containers en route from Northeast Asia's -- from -- sorry, from North Korea to Myanmar, for example, and there are those, in March by Malaysia's intercepting a ship where they seized the concisement for -- in order to Iran -- the investigation is underway, but the initial indications show that this is very sensitive technology and that could involve in the weapons programs.

And in Southeast Asia is a -- we face a very big problem with law enforcement, you know, not only perhaps in China elsewhere in the case of human trafficking. But in illicit trade in Southeast Asia, law enforcement is very worrisome. Even though international treaties, conventions very much are there. But most of the countries in Southeast Asia are not yet a part of it, many of important international regime. So, law enforcement system is very weak in Southeast Asia is posing a very troubling problems.

There is, of course, some existing mechanisms in Southeast Asia to combat the illicit trade in Southeast Asia in terms of international regime and framework, we have IAEA safe glass, including additional protocols. We have the

NPT. We have U.N. Security Council Resolution 1540, when we'd use mostly export control, non-state actors, and we have ad hoc PSI -- Proliferation Security Initiative -- lead by United States. And at regional levels we have Southeast Asian nuclear weapon-free zones, which deals partly with the nonproliferation of weapons of mass destruction, and we have ASEAN Director General of Customs. We have ASEAN police. We have ARF -- the Asia Pacific Customs and Trade, so on and so forth. And at the national level we have -- of course, some countries do have so-called export-controlled lease, which specifically deal with export items, particularly the sensitive export items. And to firstly, understanding and raising awareness among Southeast Asia countries. In East Asia they have the Track II mechanism where they promote exchange of academics and discussions on the issues. They have CSCAP -- Council on Security Cooperation Specifics, a study group on WMD -- and Asian export control seminars hosted by Japan.

The measured efforts so far are I think limited except Malaysia and Singapore. These two countries have been leading the efforts on countering proliferations and illicit trade in Southeast Asia. Singapore, for example, was the first country in Southeast Asia to adopt the Strategic Goods Control Act to specifically counter proliferation of WMD. In that act, there's a controlled list drawn on from various international regimes and conventions, such as Missile Technology Control Regimes, Nuclear Supplier Group, Australian Group, Wassenaar Arrangement, things like that. And, more importantly, it has provisions, the so-called "catch-all" provisions. This is a very kind of additional standard sort of provisions to deal with export control. And Malaysia follows suit. Just a year ago by adopting a similar Strategic Trade Bill, which also based on lots of articles and agreements and drawn on from EU and UN lists, and also it provides catch-all provisions. So, these are two first legal frameworks adopted by Southeast Asian countries to counter proliferations and illicit trade in Southeast Asia.

And now the challenges ahead in combating illicit materials in Southeast Asia. I see it in two layers. No. 1, within each country the internal problems with combating illicit trafficking. First I think there are a number of problems here. I just -- for a while some serious ones I think. First of all, I think is capacity constraints. I mean, most of Southeast Asian countries are relatively poor, maybe except poor Malaysia, to some extent Thailand. Well, so they like resources and, you know, I expect these professionalisms -- it's not only in these areas but other areas. This is a big problem.

And then the low level of when is attention to these problems in Southeast Asia. If you ask most policymakers in Southeast Asia, I would suspect that they don't really know much about this kind of illicit trafficking and particular things related to nuclear, chemical, biological things. And then we have the very kind of noncooperation from private sector, one called non-state actors, because when we talk about illicit trades in Southeast Asia, we talk mostly about export control, and we have to work with private sector, the exporters, the companies. But they are not very

cooperative, frankly speaking, because they are very much concerned with their trade. They say no, they had to show the additional burdens on export and other regulations. And then insufficient and ineffective export control system, as I mentioned earlier. Most countries in Southeast Asia do not have a national export control list. 10 Southeast countries, but 8 out of which don't have this -- yet.

Then the second layer is external problems. First of all, is harmonization of national laws and regulations. ASEAN is going to build so-called communities, as in communities based on three pillars. They don't really elaborate on how to make them reasonable, political and secure communities when they -- all these structures do not really provide a good mechanism for combating these issues -- I mean, the trafficking. And then we have international cooperation problems because if you talk a different language you cannot cooperate. In Southeast Asia, people do things in a different way with the discrepancies in legal frameworks and practices, customs, things like that. So, when it comes to international cooperation with U.N. and with other international organizations in countries, it will have problems.

I think my time is up. I'm looking forward to your questions. Thank you very much.

DR. FELBAB-BROWN: Well, thank you, Tuan, for highlighting the complexities of nonproliferation enforcement in Southeast Asia, a region sandwiched between South Asia and Egypt, among the most intense proliferation on the one hand and East Asia, but it's difficult to balance of some opaque, somebody to declare proliferation and rising nuclear arsenals.

I'll now open it for a question-and-answer period. Please raise your hand and identify yourself, wait for the microphone, and I would urge you to take particular advantage of my wonderful colleagues. It is the last day at Brookings. They have enormously enriched our Brookings community here, and so feel free to direct many questions to them. I'll be around to get hold of for a long period of time.

So, please. This gentleman here.

QUESTION: Hi, I'm Monte Martin, and I have so many questions but I'll just stick to one -- to Haimei Shen -- and this involves your really dramatic figure that by 2020 33 million men will not have wives. And in terms of China's harmonious society, you know, does the government really have an incentive to crack down on human trafficking, because it seems that if 33 million men don't have wives and no real prospects and their families are really pressuring them, that could lead to internal social unrest. And I'd just like to hear your thoughts on that. Thanks.

DR. SHEN: Yes, I think the issue is really beyond our, you know, effective, you know -- I think there's a big challenge for China government. Actually, I worry about the -- you know, China now is on the tier 2. I think the watch list -- you

know, this is very difficult to keep. Just now it's in the machine, this -- China government keep their watch list tier 2 seven years. I think it is -- there are really challenges for the government. For some countries, maybe it's easy to keep their, you know, watch list to the first or second, but for the China government, there is only one issue in their domestic -- you know, when China got the need to face many issues, like during the social transformation, you know. So, I think those are also -- really I put their policy suggesting for this -- because immigration is very important to choose, like the legalization of the irregular immigrants. This -- I think this is a very -- I hope it's a very effective tool to deal with the issues, actually.

Okay, so --

DR. YEH: Yeah, I probably can, you know -- I found some more comments on this.

We actually share some similar problems. It's a common issue that the Asian culture values some more than daughter. So, if the family can only afford one or two child, they would just keep the boys. So, we also have a shortage on the wife, and that's why since we lifted the martial law in 1987, there are a lot of the Chinese men immigrants in 1949 -- they started going back to China to marry Chinese women, because of the -- also because of the women liberation movement in Taiwan now there are more and more women stay single as a life style. So, this is going to be a big problem for many Asian countries to face, and I think we need a more comprehensive immigration policy not only in China but also in some other Asian countries, too.

DR. FELBAB-BROWN: Anybody --

QUESTION: Thank you very much. My name is Michael Zwirn. I'm the director of U.S. operations at Wildlife Alliance. I had a question for Dr. Felbab-Brown as well as for Officer Cheng.

One of the things you talked about was the linkages between the smuggling of wildlife and forest products and other illicit trade. Are police officers in South and East Asia trying to identify linkages between those who are smuggling endangered wildlife and forest products and those whose cargo may also contain drugs, weapons, humans, et cetera, and if so, would that help drive the political will that you said was a shortcoming in responding to wildlife and forest smuggling if they could identify linkages to other illicit contraband?

DR. FELBAB-BROWN: The simple answer is yes. However, when one gets beyond the simplicity, there are actual great complexities, although law enforcement, whether military forces or police forces, that search for contraband have inferior capacity to search for a variety of contraband. The difficulty with particularly the timber and wildlife is that much of the trade is legal, and so the challenge that the law enforcement faces, even when they identify networks of the legality, is determined

that a particular element is illegal. That requires often a lot of training that officers focus, for example, on nuclear smuggling or counternarcotics do not have. And, in fact, what we have learned about interdiction efforts in wild life and timber, having specialized units is critically important for great effectiveness of law enforcement.

Now, the bigger issue is to what extent law enforcement forces can focus on identifying hubs and channels of smuggling, and there are overlaps, but there are also great differences.

Haimei was talking about (inaudible), for example, and we know that really -- and on the China -- on the Myanmar side, (inaudible) the hub of smuggling, the variety of contrabands. And so focusing on identifying the hubs could be perhaps a productive mechanism.

But an important aspect of it is also to reward law enforcement officers for focusing on timber and wildlife, and that is frequently lagging. Often there are limited promotions, and any promotion is the part of law enforcement that is least resourced. The ability to rise to prominence is very significantly limited. That, of course, means for governments to change their view of whether wildlife or timber as important, and it becomes very politically tricky, because many governments derive great benefits from tolerating the illegal economy or the grey economy existing alongside it.

MR. CHENG: I only had one comment -- is that actually it has been known that the criminal groups or criminal syndicate -- they changed the structure a long time ago that now they don't have that sort of well structure. (inaudible), you know, they are more on a network. So -- and also they are more opportunists and they are what we all a poly-commodities. They don't just, you know, expert in certain type of crime or they only -- they don't just expert in trafficking in drugs. They may, at the same time or at other times, you know, also engage in some other activities. So, law enforcement has long been well prepared to deal with this sort of change in its criminal structure and also to deal with the poly-commodities, opportunistic criminal syndicate or criminal network.

QUESTION: Hi, my name Tim Widdick, and I just wanted to ask kind of the reverse of that previous question. What are the overlaps, especially between the trafficking networks and legitimate trade networks -- I mean, legitimate traders. So, are these trafficking routes and markets controlled by people that are actually elites in legitimate trades, like happens in South Asia a lot, or is there more of a bright line between the criminal activity and the legal trades? And I'd like to address my question particularly to the two gentlemen. Thanks.

MR. CHENG: Yeah, I totally agree with that and also there has been an observation that nowadays criminals, they just don't or engage in criminal activities very often. You know, they have criminal activities and also some legitimate business

so that they can mix them together? And also, you know, they can co-mingle the legitimate fund with the illegitimate fund, and that certainly creates a challenge to law enforcement. But I also said that we -- law enforcement, in particular those in Hong Kong, has been well prepared for that, and we have been good at or we have provided our officers with field training so that they are able to separate or they are able to identify illicit funds from legal funds, you know, even though they are -- nowadays the criminals are so good in co-mingling illicit posit with those illegitimate funds from legitimate business.

DR. TA: Just some examples to amplify what Nelson just said about the combination between legal and illegal activities.

You know, take actually Vanda's case of illegal lobbying in Southeast Asia. There's a lot -- I mean a number of cases where actually you have quotas of logging. That means you are entitled to log a certain number of trees, where at the same time, you do illegal logging and you actually put them altogether in the same container with -- on papers, you know, you have, like, 1,000 metrics square, for example, so you log, like 2,000 on the same papers. And when you cross the borders you show the papers, you get the seal where you bribe the border control -- border guards. So, you know, actually you have 2,000 metrics square, but actually you are entitled to only 1,000. So, this kind of combination between the illegal and the legal thing is kind of very common, popular, because at the end of the day they have to shelf their products on the legal markets -- on the markets, and some law enforcement actually can go after the certification. So, when they go after the certification, you still have the papers on it, so you have the seal, the certification of the (inaudible) actually is not legal.

Thank you.

DR. FELBAB-BROWN: Indeed in the logging case, especially the logging industries, official logging industries in places like in Indonesia, Malaysia, Vietnam, are critical drivers of the illegal market and critical players on the illegal market.

MR. CHENG: Sorry, I would also like to add one more thing, is that apart from (inaudible), law enforcement should have the necessary power or the offense just which I just mentioned in my presentation that even though law enforcement are able to separate or identify legitimate funds from those lawful business or lawful fund, they still need to have the powerful offense, robust offense, to allow them to prosecute the criminal. Just like what I just said, that if you know your offense, if your money laundering offense is well restrictive, even though you can identify, separate them, separate the illicit fund from the legitimate fund, you can still not able to prosecute the criminal for money laundering. So, that's why, you know, I really, you know, would like to urge the U.S. authority to seriously consider widen the scope of the offense, because, you know, even though you are able to separate them, you don't have the

powerful offense to allow you to prosecute them.

QUESTION: Thank you. Good morning. My name is Mr. Lloyd from the University of Maryland.

Our topic for today talks about human smuggling and materials. Now let me talk about money. How true is the fact that a great number of fake U.S. dollars are manufactured in North Korea in huge volumes and they are making Hong Kong a distribution point to all parts of the world, some of which Chinese businessmen are operating illegal money manufacturing in the Philippines and making Hong Kong as a hub or Singapore as a hub and as a distribution point to the other parts of the world. Can you please enlighten the public on this? Thank you.

MR. CHENG: Well, when that allegation came, I was, at the time, the head of the Financial Intelligence Unit of Hong Kong, and there was a U.S. delegation come to visit Hong Kong. But at the end, you know, they can't find any evidence -- any evidence -- to prove that. You know, the forged U.S. dollar has been in Hong Kong. So, that's what I can say. You may not believe me, but you can check with your State Department and see whether what I'm saying is true or not.

SPEAKER: Then (inaudible) talk about (inaudible).

MR. CHENG: Well, I have no information about North Korea, so I cannot make any comments on North Korea.

QUESTION: Thank you, I'm Genie Nguyen from the Voice of Vietnamese Americans. My question is to Dr. Ta Minh Tuan and all the panelists who would like to answer.

I'd like to tie together the human trafficking and also the nuclear and other high-tech trafficking in Southeast Asia, especially in Vietnam. Dr. Ta Minh Tuan has pointed out that we have very porous borders, and especially the borders between Vietnam and China and especially in the case of human trafficking Vietnamese females and ladies having loan to significantly being transported -- so this porous border between China and Vietnam. The Vietnamese government have any policy toward that?

Now, the same token to all other trafficking, all other materials, especially nuclear and high technology, and with the concern of increasing Chinese aggression in the Southeast Asian sea and all the challenges you pointed out. Is there any policy you would suggest the Vietnamese government to think about or work toward? Thank you.

DR. TA: Well, first of all, on the trafficking across Vietnam's China border, a serious -- that's a well-known and open secret in Vietnam's -- in terms of

government policy, I would say, yes, a number of policies have been made by the government at various levels from the central government to local governments. The problems with all this policy is that as I indicated in my presentation, law enforcement is relatively weak, particularly the law enforcement officers. They are somehow not quite well equipped with the issues -- you know, how they can do it. I mentioned, and you also agreed, that the modest reports -- we have 1,000 -- around 400 kilometers borders with China and more than -- longer than that, you know, with Cambodia and Laos, and most borders in Vietnam's high mountains and you don't really have a clear markers or borders. So, when people live alongside the borders for hundreds, thousands -- maybe thousands of years, they have relatives cross the border. So, just cross the border. Just ask the -- and the wading through the stream of rivers, something, so it's difficult, and the policy is very much there, you know. Even, you know, some so-called, you know, social organization like women's union, youth union, you know, they are really very much on these issues, you know. But I would say the best guess is that in the efforts is there but not very much success for -- because of, first of all, because of the very severeness of the issues, you know. The high demand on the Chinese side and on the Vietnamese side, frankly speaking, the level of education is pretty low, and most people are cheated into this kind of business. They did not know that they were going to be smuggled and forced into marriage in Southern China or even in the brothel.

So, it's very complicated. So, I would say the bottom line is the policy is there, but the enforcement is relatively weak. The problems are acute, and I was -- you know, an example is we have more than 100,000 Vietnamese brides in Taiwan, and not all of them go into Taiwan with a proper marriage status. So, this is kind of (inaudible).

And, you know, regarding to nuclear material and things, I would say so far in Vietnam, we haven't see any kind of this illicit trade yet, because, Vietnam is not a nuclear country, even though we are going to build nuclear power plants but not in 10 years' time, so I haven't seen or heard anything about the nuclear smuggling in that.

And on your last part of questions, I think perhaps it's not really a good venue for that kind of discussion on these question, but maybe we can talk about it offline. Thank you.

DR. SHEN: May I add some response? I think between China and the Vietnam law and Myanmar, there's a total 4,000 kilometer border. You know, this very hard to make the border control. I think we cannot follow like the American-Mexico border. We cannot construct a new great wall, I think. So, this is -- but if we compared with these several countries bordered with China, Vietnam now into Myanmar, I think the Vietnam government, the -- do better actually, because these are drug issues and human traffic issues. They can still under control I think. If compared with the Myanmar, this is more serious, because many trafficking cases. Actually this victim's parents -- they cannot get a report to the police in Myanmar because of their

technique called transport communication or something else -- breathing. So, I think they're, yeah, being amused. If we compared this to several countries, I think venomous government is a better job -- I think.

MS. YEH: I have different opinion. I think the Vietnamese government is not doing enough to help their people overseas. In Taiwan, yes, we have the biggest group of foreign spouses that's Vietnamese. And I have to tell you, because in Taiwan we have special fonts, earmarks for, you know, helping those foreign spouses to integrate, to be integrated into the society. So, now the Vietnamese spouses organized probably the most active foreign spouses group. And even in some of the government committees, we have outside members. They are Vietnamese spouse, and many Vietnamese spouse -- they will chant, be interpreted to help the foreign neighbors into Taiwan. But I don't see, you know, Vietnamese victims. They -- at first they will not traffic into Taiwan. They will traffic to China, then re-traffic from inland to, you know, Fujian (inaudible) coastal and then trafficked to Taiwan for better pay or something like that. And after we rescued them, it's very hard to find -- the Vietnamese will always say well, we cannot locate their whereabouts their families, and it's very hard to find a local NGO who can help them if we help them to return to their home country. So, there are some special cases that we try to make them citizens in Taiwan, now. Okay, thanks.

DR. FELBAB-BROWN: Unfortunately, we are out of time. Thank you very much for your participation and excellent questions, and above all my co-panelists. We are very sad to be losing them at Brookings, but we have learned enormously and hope to continue our exchange of ideas.

DR. BUSH: This happens to be the last day that my four visiting fellows are going to be with us. It's the end of their term. Their home organizations were very generous about lending them to Brookings, but for some reason they want them back now. So, I hope that you will join me in wishing them safe travels and good luck. *(Applause)*

And please enjoy your summer. Thank you.

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