
Interview: Luke Cornelius

The Australian government has never carried out a war on drugs

Mr. Cornelius is the National Secretary of the Australian Federal Police Association. He was interviewed by Michael J. Sharp of The New Citizen on Oct. 17, 1997. The following are excerpts from the interview, which was published in the January-February 1998 issue of The New Citizen.

Q: I understand your organization recently passed a resolution calling on the Federal government to increase its funding to enable you to fight the war on drugs. I also understand that resolution is backed up by solid evidence, vis-à-vis, the collapse of the number of AFP [Australian Federal Police] agents. Could you tell us what your report found?

Cornelius: If I might just correct you there: The resolution was actually passed by the Police Federation of Australia and New Zealand, which is a peak body where representatives from all police forces in Australia and also New Zealand, come together and discuss matters of common interest. Following a briefing that was provided to that body by representatives of the Australian Federal Police Association, recently in Darwin, on the drug problem and the resourcing of it at [the Australian] Commonwealth level, that resolution was passed. . . .

Since the Australian Federal Police was established in 1979, there has been a steady decline in the number of Federal agents available to engage in a Federal policing role at a national and international level. In particular, over the past five to six years, we have seen a plummet in the number of Federal police available to undertake investigation into international organized crime, including drug trafficking, to a point where we have seen staffing levels of those officers, collapse to pre-1983/84 levels. That amounts to a decrease of some 700 Federal police officers available to undertake national investigations. . . .

This current year we are seeing record seizures, of in particular, heroin and other imported drugs. This is not so much a reflection of greater efficiencies on the part of the AFP; it is more a reflection of the massive increase in the quantity and volume of drugs coming into this country. And because the increased volume and the greater risks which criminals are taking with impunity, sure in the knowledge that resources to Federal law enforcement agencies have been cut, meant that we have massive amounts of drugs coming into this country. Parallel to this increase in the

number of seizures for this year, we also see a massive increase in the number of heroin overdose deaths, and in fact we have already got a record number of heroin overdose deaths for this year—solely from heroin. . . .

Q: Your predecessor, the outgoing national secretary, stated that Australia has never had a war on drugs.

Cornelius: That's quite right. When you bear in mind the Access Economics report released recently, states that there is \$7 billion in economic activity derived by illicit drug trafficking. Australia has never had a war on drugs—we've had a token effort where you've had high-profile seizures based on tip-offs. But let's compare the economic activity which is generated from drug trafficking with the actual investment of government into dealing with this problem. We know, if we are to accept the findings of the Access Economics report, which was released a week and a half ago, that the economic activity generated by illicit drug trafficking amounts to some \$7 billion. The Australian Federal Police would be lucky to be able to commit \$15 million of its budget specifically to drug law enforcement. Now \$15 million worth of investigation, into an enterprise which generates \$7 billion worth of economic activity, is nothing more than a token effort. . . .

As I see it, we must improve the effectiveness of Commonwealth law-enforcement agencies to deal with the importation of drugs at its source. This entails a combined approach by government at various levels. If you actually look at the drug-trafficking industry, you can see that it is broken into a range of different sectors. We have on the streets of Australia the so-called market. . . . Then we have the growers, harvesters and refiners. These people are based overseas, and these are the people who cultivate the root narcotic material. For example, the opium poppy, in the case of heroin and the cannabis plant in the case of the various cannabis products, such as cannabis resin and also New Guinea Gold from Papua New Guinea. Then also we have the importers and the wholesalers. These are the people who basically get the commodity from the source country into the marketplace. Finally, we have the market managers. These are the people who arrange the financing and the resourcing of the illicit narcotics trade, and these are the people who profit from it with impunity and who themselves

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aren't involved in the user end of the market, but see it purely as a profit-making exercise.

Now in terms of government response: In terms of dealing with the market or the potential users, that's clearly the responsibility of educative programs, and also health-based programs. . . .

In terms of dealing with the traffickers and drug distributors within Australia, that is clearly the responsibility of state law-enforcement agencies. . . . The Australian Federal Police and other Commonwealth law-enforcement agencies have a primary objective in dealing with those who import the drug or indeed, taking up the investigation of drug-related activity overseas. It's here where the injection of resources would derive the most value in terms of fighting a war against drugs. . . . In effect, the Australian Commonwealth government has never really taken this drug problem seriously, because it has failed over the years of the existence of the Australian Federal Police since 1979, to effectively resource efforts aimed at turning off the tap of drug supply into this country. . . .

Q: Let me ask you a question regarding money laundering. Casinos have been referred to as honey pots for organized crime to launder their dirty money. Now the New South Wales government recently banned 30 reputed organized-crime figures from the Sydney Harbor Casino—including two of its best customers who had spent, incredibly, up to \$35 million there. Then there are numerous reports that casino chips are being intercepted in Asia, heading back into Australia—the casino gambling chips being increasingly used as a form of underground currency. . . .

Cornelius: Money laundering relies on a number of techniques used to turn illicitly derived money or property into so-called clean money. The commodities which are used are diverse; you've mentioned casino gambling chips. Other favored commodities in the money-laundering business include traffic in gold bullion; in South Australia, the traffic in jade; and in other locations around Australia, the traffic in other high-valued commodities. For example, expensive shellfish—of all things, abalone—are used by many money launderers as a means of, I guess, washing their ill-gotten gains, because these items attract a very high premium in the Asian market.

In terms of the kinds of business activities, which are used as vehicles by money-launderers for the laundering process, gambling is a well-known and recognized money-laundering vehicle. It is for this reason government seeks to regulate gambling activities, with a view to ensuring, to the extent they can, that that money which comes through those businesses, is in fact, legal. Now the way in which the government seeks to do that, is through arranging for the licensing of those people who provide these gambling venues, i.e., the casinos, and also through the casinos themselves, ensuring that their client base is not engaging in illegal activities. So for example, the New South Wales government banning certain individuals from casinos because they have supposed underworld links, is an example of this kind of regulation which is occurring.

Now money laundering is effective in the gambling industry because, in order to be a successful gambler, you need a significant amount of money to invest in the first instance. The only people who make a living out of gambling are those who are prepared to invest—and I use that term lightly—large amounts of money into the gambling enterprise. And obviously, having a capacity, because of the scale of that investment, to lay their bets off, and so, balance their returns. Now that is all well and good for a gambler who has legally derived gains which he wants to invest. For those who have illegally derived money, going to a gambling institution, gives them an opportunity, basically, at a cost, in terms of losing some of the money they invest, of actually gaining a receipt from a casino, for their winnings and thereby legitimizing the money they are in possession of. What organized crime figures are beginning to understand, however, is that because of the high degree of government scrutiny and regulation of casino activities, in particular, questions are very easily asked of these people, because the casinos are able to track exactly how much an individual has invested in their business and how much they have won. So at the end of the day, if a person seeks to explain away large amounts of money, which aren't explainable by lawful means, they might attempt to point to successful gambling winnings. Law enforcement agencies, where these claims are made, have the capacity to obtain under warrant, from casinos, information about the gambling habits of these individuals. Which basically means that

we are able to track the money right back to the point of their initial investment, which leaves these people with the problem of having to explain where they got the money for their initial investment in the gambling enterprise from. So in many respects, casinos can be a useful tool, which are used by law enforcement agencies for the tracking of money-laundering activities.

The money-laundering activities which are more difficult to track are those which involve the conversion of one form of finance into another. That is, for example, best illustrated by the bullion trade. That is, one can go to a bullion dealer and purchase a quantity of bullion, obtain a receipt for that bullion and then effectively take that bullion overseas, use it as a basis for overseas investments, and then basically be able to cream off any income generated from those investments as clean income. That activity, of course, is now subject to regulation under what is called the Cash Transactions Agency and the Financial Transactions Reporting Act, which requires bullion dealers and other cash dealers to report transactions over a certain value.

So there are ways in Australia of actually regulating, or trying to track, the flow of cash through the Australian economy. However, given that the Australian economy, on a daily basis, traffics in very large amounts of cash, this of itself is a difficult system to manage because of the sheer volume of transactions which take place on a daily basis. So in many respects the use of that kind of intelligence is generally used by law-enforcement agencies after their suspicions have already been pricked, in relation to the activity of individuals that they are investigating.

Q: Would you say, since the Cash Transactions Reporting Act has come into force, that organized-crime figures are getting around the act? And if so, in what way?

Cornelius: Yes, that's why I highlighted the example of traffic in non-cash commodities. For example, bullion. Although there have been changes to the act that would bring bullion into the definition of a cash transaction. Then there are other commodities such as, for example, shellfish, which is an odd one. Abalone, for example, and also other mineral commodities, such as jade, which is highly prized over in the Asian market, and, of course, in Australia, and in particular, in South Australia there are some of the best deposits in the world of black jade. These commodities, because they are basically commodities derived naturally, from the sea or from the ground, are commodities which lend themselves to money laundering, because you don't have to explain away your initial investment—you can easily say, "Well, I went fishing one weekend," to explain a haul of abalone; or, "I dug a hole," to explain a large amount of jade. . . .

Q: You mentioned before our interview that your experience is in drug enforcement. The International Police Organi-

zation have said for years [that] drug barons have set up banks specifically to launder money, and use existing banks as well. . . . How would you want to see that problem tackled. . . ?

Cornelius: There is a preliminary question which must first be addressed, and that is, it must be recognized that any business which generates \$7 billion worth of economic activity on an annual basis, is having a significant impact on the Australian economy. Somehow that black money is becoming incorporated into the legitimate financial institutions in Australia. Financial institutions in Australia today cannot guarantee or be sure that their money is untainted. It is a sure bet that every financial institution in Australia, either unbeknownst to it, or with its turn-a-blind-eye approach, is happily dealing in, and engaging in transactions which involve tainted money. Financial institutions of course, will hide behind client and customer confidentiality, they will hide behind the traditional protections which financial institutions have hidden behind ever since Adam Smith came up with his fundamental principle of the guiding hand of the market, that is allow market forces to determine social policy and everything else will fall into place. Financial institutions, in turning a blind eye to this real problem of dealing with tainted money, are conspiring with organized crime in Australia to the extent that the very integrity of economic fabric of this country is under threat, simply because, with money you buy power. And if financial institutions aren't prepared to take social responsibility for the transactions, which they are prepared to engage in, then they bear a responsibility for the capacity for organized crime to take over and direct social policy in this country.

Q: Our research, which we published some time ago, demonstrated that the Australian Drug Foundation, which began as a benevolent society to help alcoholics after the war, has become the primary vehicle for promoting the legalization of drugs, and our research shows that major contributors to the Australian Drug Foundation are the banks, and family charitable funds, wealthy foundations and so forth. Are you aware of that at all?

Cornelius: I am not personally aware of that. . . . I guess in terms of seeking to counter that degree of support that is coming from business, one needs to say to the business world . . . that the results of a consistent policy, at the Commonwealth level of preferring an educative approach, i.e. the "say no to drugs" campaign, over the past ten years, has been an abject failure, because, parallel to the pursuit of that policy, we have seen a massive explosion in the amount of drugs coming into this country, a massive explosion in the demand or the consumption of those drugs, and an explosion in the number of people who are dying as the result of the availability of high-purity, high-quality drugs which have a very real capacity to ruin lives and kill people. . . .