Bad Actors and Faulty Props:

UNLOCKING LEGAL AND ILLICIT ART TRADE

March 27, 2017
Authored by: Bichler, G., Bush, S. and Malm, A.

17.161-IR.0-BRIEF-03

For more information about the study see:

Bad Actors and Faulty Props: Unlocking Legal and Illicit Art Trade

Criminal enterprise thrives on the weaknesses of systems. Legal trade infrastructure is compromised when legitimate businesses act as brokers between the illicit market and legal trade. This study attempts to pinpoint and calibrate the degree of illicit/legal market intersection across the international trade system of high-value art and antiquities. Targeting the most vital and influential points of fusion stands to have the greatest potential to disrupt illicit activity. A hybrid analytic approach of network analysis and scripting provides a mechanism to isolate trade links that have the greatest impact on illicit operational success.


Scripting and Network Analysis

Combining scripting and network analysis revealed how illicit market activity occurred (tools and resources) and which actions or actors contributed to the system’s resilience and stability. Using this hybrid strategy provides an opportunity to explore the context of a process as opposed to event outcomes: Scripting helps to map each step in a trade process and network analysis provides analytic tools to identify critical junctures. Identifying mechanisms (props or frameworks) or actors (roles or occupations) located at the intersection of illicit and legal activity reveals where crime prevention efforts can focus to disengage market interlock and combat illicit trade.

Scripting the connections among processes provides different ways to map trade networks. Linking actors involved in different activities that work or interact with each other produces an actor-to-actor network. Connecting actors to the mechanisms they use to complete tasks, results in an actor-to-tool network. These networks answer different questions about trade structures.

<table>
<thead>
<tr>
<th>Actor-to-Actor Network</th>
<th>Actor-to-Tool Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which actor roles are positioned to control the flow of goods in the arts market? (Actor eigenvalues are higher when they are highly connected to others.)</td>
<td>What tools foster market interlock between illicit and legal domains? (Tool eigenvalues are higher when they are used often by highly connected actors.)</td>
</tr>
</tbody>
</table>
Findings

Network maps of the market system generated from linking 241 activities involving 82 distinct actor roles and 92 mechanisms revealed interlocking illicit market activity.

1. Foundations, insurance and transportation/storage firms are the most influential actors within their respective markets. (Insurance is central to handling.)

2. The handling sector exhibits the highest degree of movement between legal and illicit transactions. (Handling is a key function linked to all other sectors and is dominated by only a few companies.)

3. Transportation and storage firms exhibit the highest centrality within the handling sector (94% of the network pattern is influenced by this group.)

4. Private property and shipping containers (tools) have the highest eigenvalues (54.4% and 35.2%)

5. International trade fairs and biennials (props) unite all of the mechanisms instrumental in locking together legal and illicit trade.

Examining the system as a whole, we find that some activities link illicit, grey market and legal domains while other activities are common grey market activity and legal transactions. Trade components that are associated with some sketchy or dubious behavior may indicate where illicit and legal markets are not necessarily connected, but may become so for brief periods.
Looking at the tools used illegally and the documented actors who wield them, we discover that high net-worth collectors (individuals and corporations), opportunists, and secondary market dealers are all found to use sales receipts illicitly (i.e., doctored receipts). Blue squares represent tools and grey circles are actors. To see the connections used across different market sectors (thicker lines) the larger network map includes connections appearing at least two times in the system.

**Crime Prevention Strategies**

Considering the position of specific mechanisms within each market sector and the most central actors, we find two foci for anti-crime efforts aimed at addressing illicit activity affecting the international high-valued art and antiquities markets.

1. Temporary Markets (Trade Fairs and Biennials)
   - Increase Retail Transparency
   - Improve Movement Control

2. Financial and Regulatory System Oversight
   - Strengthen Financial System Oversight
   - Revise Taxation Codes
   - Standardize the Valuation Process
   - Harmonize Insurance Standards