

Out of the Shadows: Why Illicit Trade and Organized Crime matter to us all

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We are all at risk from illicit trade and organized crime. Be it as banal as a phishing e-mail in our inboxes or as serious as counterfeit medications and identity theft, companies, governments and citizens today are confronted with the real possibility of illicit trades and criminals affecting their operations, institutions or well-being.

The scope and scale of illicit trade and organized crime is inherently difficult to measure. The global value of illicit trade and transnational criminal activities have been estimated at between 8% and 15% of global GDP, with the value of narcotics trafficking at US\$ 750 billion to US\$ 1 trillion; the sale of counterfeit goods at US\$ 650 billion worldwide; environmental crime at US\$ 20 billion-40 billion; and human trafficking, at US\$ 20 billion. Including money laundering, this figure increases to an astonishing US\$ 3 trillion compared with a legitimate global trade figure of about US\$ 10 trillion-12 trillion.





Impact on the global economy of illicit trade and criminal activity

- 8%-15% of global GDP
- US\$ 750 billion– US\$ 1 billion in narcotics trafficking
- US\$ 650 billion in counterfeit goods
- US\$ 20 billion-40 billion in environmental crime

Beyond the numbers, illicit trade and organized crime are significant barriers to economic growth, individual prosperity and corporate profitability. It stymies legitimate markets, sabotages global supply chains, depletes natural resources and endangers market security. The global growth and equity agenda that promotes free and open trade, investment and communications as enablers will not succeed without concurrent efforts to combat corruption, illicit trade and transnational organized crime.

Potential Costs to Business of the Illicit Economy

- Increased monitoring of the supply chain
- Costs due to compliance
- Liability stemming from health and safety of consumers
- Reputational risks
- Bribery
- Intellectual property infringements
- Security and insurance costs

Beyond the economic agenda, illicit trade and organized crime undermine the social and cultural welfare and stability of our communities. Both phenomena weaken the state, corrupt officials and leaders and distort our values and trust in institutions and individuals.

Amount of lost tax revenue to governments from illicit trade and organized crime :

- \$50 billion of tax revenue from cigarettes smuggling
- Up to 96% of revenues from logging in Tanzania are lost to illegal logging (Tanzania Forest Conservation Group)
- Trade misinvoicing accounts for up to \$737 billion in illicit financial flows from developing countries (Global Financial Integrity)

Today's hyperconnected world has ushered in advances in technological innovation, communications and transport; it also has allowed transnational organized criminals and illicit networks to take advantage of modern, open economies. Latin American drug cartels are expanding their niche in markets across Africa, Europe and Asia. Illegal arms merchants operate globally. Human traffickers move their slaves from emerging markets to the underworld in many parts of the globe. And today's criminals and illicit networks are gravitating to high-reward, low-risk illicit enterprises by diversifying into new areas such as the poaching of wildlife, illegal logging, and illicit fishing that have an impact on vital ecosystems, habitats and sustainable futures.

Damage to health and environmental sustainability:

- 700,000 people per year are killed by counterfeit malaria and tuberculosis medications
- Global fisheries underperform by \$50 billion annually because of illegal overexploitation
- 20.9 million people in forced labour in 2012 (ILO)
- Tens of thousands of African elephants killed in 2011 and 2012 marked a peak in the illicit trade of elephant ivory (Elephant Tracking Information System)

If illicit trade and organized crime are left unchecked, we will lose the financial and moral incentive for countries, companies and individuals to join the formal economy.

What do we want?

In this increasingly complex world, the World Economic Forum Global Agenda Council on Illicit Trade & Organized Crime will develop a public-private partnership on the issue to be launched at the Annual Meeting 2015 in Davos-Klosters. The purpose is to create a comfortable and safe space in which to hold an uncomfortable conversation; to develop guiding principles on how to address these phenomena; and to build awareness and resilience to the harms and impacts of illicit trade and transnational organized crime.

Specifically:

1. The Council will enlist the help of political, business and civil society leaders in navigating this complex 21st-century threat through a mapping exercise that will demonstrate the risks of illicit trade and organized crime and the importance of a harmonized response in five key areas:
 - Driving inclusive growth
 - Environmental sustainability
 - Trust and leadership in society
 - A hyperconnected world
 - Creating jobs
2. To improve available data and measure the size of these illicit activities, Council members have partnered with EUROPOL, the United Nations Office on Drugs and Crime, the World Customs Organization, the Organization of American States, the European Monitoring Centre on Drugs and Drug Addiction, Black Market Watch, Transcrime and the OECD. The project will measure the impacts of three to four specific illicit trades and related organized crime activities.
3. The Council is facilitating the development of a structured dialogue and pathfinder projects on key themes such as human trafficking, natural resources and counterfeit products.
 - Through consumer led advocacy using applications, such as “should I buy it?”, to ensure a broader buy-in and understanding of individual responsibilities.



- Through a Global Agenda Council Human Trafficking taskforce, which aims to synthesize anti-trafficking strategies across business sectors.
- Through a public awareness campaign (World Economic Forum Documentary, Davos 2015).
- Through the building of sample scenarios.

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