

OECD Workshop

Assessing the harms posed by illicit trade and the illegal economy for global supply chain integrity, economic growth, and market security

[Draft] Meeting agenda

26 October 2012

OECD Headquarters, Paris

Conference Centre Room 7



[Draft] Meeting Agenda

Evening - 25 October 2012

18:00 **Cocktail Reception**

Room: «Buffet du Parc»

Morning session – 26 October 2012

8:45 – 9:15 **Welcome coffee and tea**

9:15 – 9:30 **Introductory remarks and objectives of meeting**

Rolf Alter, Director, Public Governance and Territorial Development Directorate, OECD

David Luna, Director for Anti-Crime Programs, Bureau of International Narcotics and Law Enforcement Affairs (INL), United States Department of State

9:30 – 10:00 **Identifying the contours of the illegal economy**

Keynote speaker: Mickaël Roudaut, Administrator, European Commission, Directorate-General for Home Affairs

The keynote speech will identify the broad scope of illicit trade activities. It will outline strategies to address such activities on a sectoral and global basis. The presentation will also cover the need for data and information sharing and highlight strategies to address the threats posed by the global illegal economy and criminalized markets. It will discuss policy responses to dismantle illicit trade networks and to improve the investment decisions of legitimate businesses.

Questions and Discussion

10:00 – 11:30 **Panel discussion I – Hidden costs of crime : quantifying the economic impact of illicit trade on business and investment**

Effective risk management requires identification of vulnerabilities and collecting information to quantify impacts. A whole-of-economy approach to combating illicit trade requires evidence-based research on the cost of illicit trade to licit business on the one hand, and the investment climate on the other.

This session will focus on quantifying illicit trade flows and the impact on legitimate supply chains across various sectors and regions of the global economy, as well as recommendations for future research to fill data gaps.

Questions and Discussion

- What is the cost of illicit trade to business in terms of lost profits and business opportunities, corruption, extortion/racketeering fees, and other costs?
- How do we measure them?

- How can better data on these costs serve to improve strategies to protect the integrity of supply chains and to help companies to make better informed and more socially responsible investments?
- Are these costs high enough to compel business to change their investment decisions?

Moderator:

- Gai Lambourne, Technical Advisor, Australian Transaction Reports and Analysis Centre

Panelists:

- Dr. Louise Shelley, TraCCC/George Mason University
- Xavier Raufer, Université Paris II – Panthéon Assas
- Ted Leggett, United Nations Office on Drugs and Crime

11:30-11:45

Coffee Break

11:45-13:15

Panel discussion II – A governance perspective: improving compliance and enforcement frameworks to reduce illicit arbitrage opportunities

Developing a long term strategy based on preventive actions requires addressing the underlying governance challenges, and in particular strengthening compliance and enforcement gaps that create the conditions for illicit trade networks.

This session will focus on identifying weak links in systems to control and prevent international flows of illicit trade. Weak links include ineffective customs regimes, porous border control, and a lack of capacity to implement surveillance technologies, etc.

Questions and Discussion

- Where are the known global weak links, and what metrics are there to suggest that gaps in policy implementation create opportunities for illicit trade?
- What are the key policy levers that have been successful to stem networks of illicit trade?
- How to enhance detection capabilities through risk based strategies and non intrusive inspection technologies?

Moderator:

- Professor Pakdee Pothisiri, Commissioner, Office of National Anti-Corruption Commission, Thailand

Panelists:

- Vice Minister José Antonio González Anaya, Secretariat of Finance and Public Credit, Mexico (tbc)
- Dr. John Picarelli, U.S. Department of Justice
- Professor Ernesto Savona, TRANSCRIME, Università Cattolica del Sacro Cuore, Milan
- Norbert Steilen, World Customs Organization

13h15-14h15

LUNCH BREAK

Room: «Roger Ockrent»

Afternoon session– 26 October 2012

14:15-15:30

Panel discussion III – Private Sector Perspective: strengthening supply chain integrity to combat illicit trade

The private sector bears a large portion of the adverse consequences generated by illicit trade activities. These activities have the potential to disrupt the integrity of global supply chains and to weaken the functioning of formal market activities. Private sector solutions will be key to supporting effective mitigation strategies. This requires close cooperation and enhanced information exchange with government bodies.

Questions and Discussion

- How can the monitoring of border crossings for goods and services be enhanced to reduce illicit flows, while avoiding onerous inspections of legitimate business activities?
- How can information and communication technologies support a more friendly business oriented approach while serving to improve compliance?
- What types of information should governments and private enterprise share to foster and enable risk-based approaches to customs inspection and enforcement?

Moderator:

- Doris Mariani, Special Adviser, SORO Research

Panelists:

- Andrew Jackson, Novartis International
- Goekhan Aladag, Philip Morris International
- Meenu Chandra, Federation of Indian Chambers of Commerce and Industry

15:30-16:00

Coffee Break

16:00-17:15

Panel Discussion IV – Public–Private Partnerships and International Cooperation: counterweights and countermeasures to prevent the convergence of threats posed by illicit networks

This session will examine case studies where public-private partnerships have been and can be effective in providing the operative support to implement public policies and protect the businesses and other market actors whose legitimate revenues are threatened by illicit enterprise.

Questions and Discussion

- What structures for public-private partnerships have proven effective to enhance the effectiveness of monitoring illicit trade flows and measures to control them?
- What are the incentives for the private sector to enter into public-private partnerships?
- How do public-private partnerships in this arena enhance companies' corporate-social responsibility agendas?

Moderator:

- Elaine Dezenski, Senior Director, Head of Partnering Against Corruption Initiative, World Economic Forum

Panelists:

- John Newton, INTERPOL
- Scott Carpenter, Google Ideas
- Doris Mariani, SORO Research

17:15-18:00

Next steps: Developing new strategies for international cooperation and regional policy dialogue to combat Illicit Trade and the Illegal Economy

This session will offer opportunities to draw conclusions from the discussions and to discuss next steps in the context of the High Level Risk Forum. Discussions may focus on the specific concepts, organisations and instruments that combat illicit trade and transnational networks. Participants may explore strategies for filling the information and enforcement gaps, highlighting the need for quantitative analysis and mapping of the underlying risks.

EXPECTED OUTCOMES OF THE WORKSHOP:

1. IDENTIFY USEFUL METRICS to quantify the market value of illicit trade activities on a sectoral and global basis, and impact of the illicit trade to markets, economic growth and foreign direct investment.
2. MAP RISKS and INTERCONNECTIONS between actors involved in illicit trade activities
3. DETECT GAPS in the data and information required to develop mitigation strategies for dismantling illicit trade networks.
4. DEEPEN UNDERSTANDING about how PPPs can strengthen compliance and enforcement weak links that illicit trade exploits.

Policy context

The steep rise in mobility of goods, people, capital and information which has accompanied globalisation is largely comprised of lawful and beneficial exchanges, but an increasingly significant share is illicit. Transnational criminal markets crisscross the planet, trafficking as products drugs, arms, persons, toxic waste, stolen natural resources, counterfeit goods and protected animals' parts. The global trade value of illicit drugs alone has been estimated to exceed USD 400 billion annually.ⁱ These activities have been identified in the context of National Risk Assessments as part of the major risks that could affect countries.

Criminal entrepreneurs and illicit networks sometimes use or exploit legitimate businesses and legitimate global supply chains to carry out financial frauds; industrial espionage; money laundering; etc.ⁱⁱ Hundreds of billions of dollars of revenue from these activities are estimated to flow through the global economy every year, distorting local economies, diminishing legitimate business revenues, deteriorating social conditions and fuelling conflicts.

The direct effects of transnational illicit networks are correlated with such societal ills as violent crime, drug addiction and environmental degradation. Indirect impacts run much deeper as these networks undermine the rule of law, provide financial support for corruption, and over the long term deteriorate economic conditions for competitiveness. In some countries, incentives may be ripe for corruption, which facilitates the activities of illicit networks and distorts development by preventing the optimal allocation of resources and public goods.ⁱⁱⁱ

The threats to human safety that these networks produce are well documented: they impede social and economic development and undermine the integrity and effective functioning of states. Many states experiencing recent transitions to democracy face serious organized crime challenges that, in our increasingly interconnected world, now have global implications. Elsewhere the nexus between weak and failing states and criminal and illicit threats is growing. In some cases, they can have fatal effects on fragile states, creating a nexus of violence that is a threat to peaceful cooperation among nations. Moreover, of growing concern is also the potential nexus between criminal organizations and terrorist networks where, in some cases, terrorist or insurgent groups may resort to "marriages of convenience" with criminal entrepreneurs and dual facilitators to advance and finance their ideological agenda and campaigns that fuel insecurity and instability around the world.

These networks have profited from the same advances in commercial, transportation and transactional systems that facilitate legitimate global trade, but to further their illicit gains. Transnational criminal entrepreneurs and illicit networks are increasing the subversion of legitimate financial and commercial markets, threatening the economic interests of global economies around the world and raising the risk of significant damage to the world financial system. As a result, companies may experience loss of profits due to the availability of low-cost counterfeits or gray market distribution, and destruction of brand identity, company reputation and consumer trust. Fake or compromised consumer goods, especially counterfeit pharmaceuticals, threaten the health and safety of communities. A 2008 OECD study on international trade in counterfeit and pirated tangible products estimated infringements of trademarks, copyrights, patents and design rights could amount up to USD 250 billion.^{iv}

Role for the OECD High Level Risk Forum

Deepening an understanding of the risks presented by transnational illicit networks is critical to understanding the interaction among illicit and legitimate flows of goods, people, capital and information, and the security of the legitimate global supply chain. By identifying and assessing key risks and nodes, the High Level Risk Forum can help countries better focus on what vulnerabilities they need to mitigate with the goal of driving criminal entrepreneurs and illicit networks out of business, and incentivizing willing compliance with laws and regulations to promote and grow legitimate global trading networks. In terms of preventive actions, strengthening compliance and regulatory frameworks through enforcement harmonization is key in this asymmetric threat environment, as well as public-private partnerships to ensure the support and cooperation of the businesses and other market actors whose legitimate revenues are threatened by illicit enterprise.

Analysis of the drivers, incentives, environment, and impact of this international threat will lead to better policies and better lives in our societies. In particular, it is important to understand how transnational criminal entrepreneurs and illicit networks arbitrage weaknesses and differences in international compliance systems and customs security regimes. The international community has long recognized the benefits that policy coordination and information sharing can lend to achieve shared objectives. The uneven application of cross-border enforcement efforts, however, has in many cases widened enforcement gaps between countries and regions, enhancing the arbitrage opportunities for illicit entrepreneurs. Policy levers activated in one country frequently have the undesired effect of driving crime from that country into another where regulation and enforcement are less stringent.

The OECD High Level Risk Forum is in position to provide a platform for international public and private stakeholders to partner and deepen current understanding of the conditions that facilitate transnational illicit markets, as well as the harms posed by these markets to legitimate businesses. This is the first step in designing policies to address the global illegal economy, criminalized markets, and ways to dismantle criminal entrepreneurs and transnational illicit networks. Countries may share experiences on practical approaches to the control of illicit activities as well as of their implications in terms of corruption. Engaging the private sector is particularly important for the success of future endeavours, since businesses have both the greatest knowledge of and the greatest stake in the integrity of their supply chains.

Logistics

For any further questions please contact:

Ms Sabrina Aschemann, OECD: sabrina.aschemann@oecd.org

ⁱ UNODC World Drug Report.

ⁱⁱ Albanese, Jay (2003), Organized Crime.

ⁱⁱⁱ Meeting Accra's Anti-Corruption Commitments: A Call to Action (World Bank/ OECD).

^{iv} OECD (2008) the Economic Impact of Counterfeiting and Piracy, OECD, Paris.