



**MAPPING THE IMPACT OF ILLICIT TRADE
ON THE SUSTAINABLE DEVELOPMENT GOALS**

ABOUT TRACIT

The Transnational Alliance to Combat Illicit Trade (TRACIT) is an independent, private sector initiative to drive change to mitigate the economic and social damages of illicit trade by strengthening government enforcement mechanisms and mobilizing businesses across industry sectors most impacted by illicit trade.

FOR MORE INFORMATION

Visit www.tracit.org/featured-report-illicit-trade-and-the-unsdgs.html

MEDIA

All media enquires should be directed to Cindy Braddon, Head of Communications and Public Policy, cindy.braddon@TRACIT.org

SOCIAL MEDIA

Twitter: @TRACIT_org

LinkedIn: www.linkedin.com/company/tracitorg

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FOREWORD

In July 2019, TRACIT participated in a UN Dialogue on the subject of illicit trade. During that event we launched a report that mapped the impacts of illicit trade against the UN Sustainable Development Goals (SDGs). We also shared our findings with UN member states that illicit trading activities significantly compromise achievement of the SDGs by crowding out legitimate economic activity, depriving governments of revenues for investment in vital public services, dislocating hundreds of thousands of legitimate jobs and causing irreversible damage to ecosystems and human lives.¹

Digging a little deeper, we also found that criminal elements underpin all forms of illicit trade and, consequently, undermine the ambitions of SDG 16 to achieve peace and justice in the world.

Our message is that addressing illicit trade and combating all forms of associated criminal activity and corruption are of central significance for the achievement of SDG 16 and overall success of the 2030 agenda.

We believe this message is especially relevant to decision-makers participating in the *Fourteenth United Nations Congress on Crime Prevention and Criminal Justice*. Therefore, we are pleased to participate in one of the Congress' ancillary sessions and emphasize the urgency to address the criminal elements associated with illicit trade that hold back progress on achieving SDG 16.²

The private sector has a vital interest in defending against illicit trade. This report is part of TRACIT's contribution to the partnership approach embodied in SDG 17 and a means by which business, the public sector and civil society can more effectively achieve the SDGs. The following chapters update key findings from our report *Mapping the Impact of Illicit Trade on the Sustainable Development Goals* to focus on the criminal elements underpinning illicit trade and their relationship to SDG 16. Additionally, it incorporates observations during the COVID-19 pandemic, which show that criminal groups have swiftly exploited the situation and entrenched their positions in illicit trade.

Jeff Hardy
Director-General

¹ On 18 July 2019, UNCTAD organized a forum, in collaboration with the Transnational Alliance to Combat Illicit Trade (TRACIT), to discuss the role of illicit trade in inhibiting positive development outcomes and in particular, the implications for the achievement of the Sustainable Development Goals. The event included the launch of TRACIT's report, *Mapping the Impact of Illicit Trade on the UN Sustainable Development Goals*, which investigates illicit trade in 12 key sectors that participate significantly in international trade and maps these against the 17 United Nations SDGs.

² Fourteenth United Nations Congress on Crime Prevention and Criminal Justice, Kyoto, Japan, Session Number 114, Mapping and Mitigating the Impact of Illicit Trade on the Sustainable Development Goals, March 12 from 14:00 - 15:30, Room B-2.

1. INTRODUCTION

Illicit trade and the UN SDGs

The UN Sustainable Development Goals (SDGs) lay out an ambitious set of 17 goals to address the world's most acute economic, social and environmental challenges. They cover everything from poverty eradication and zero hunger to clean water, decent jobs and peace. Since coming into effect in January 2016, governments, private sector and civil society have rallied around the SDGs to guide policy, implement investment strategies and allocate funding.

Among the portfolio of tools available to achieve the SDGs is the expansion of international trade.¹ This is because trade has historically proven to be an engine for development, boosting income generating capacity and contributing to unprecedented reductions in poverty levels.² Over the last few decades cross-border trade has expanded significantly, supported rising living standards across the globe.

Concurrent with the expansion in legal trade has been the alarming emergence of illegal (or illicit) trade, with estimates quantifying it and associated transnational criminal activities at between 8 and 15 percent of global GDP.³

In order to help governments and business better understand how their efforts to achieve sustainable development must account for the negative forces of illicit trade, the Transnational Alliance to Combat Illicit Trade (TRACIT) published the 2019 report, *Mapping the Impact of Illicit Trade on The Sustainable Development Goals*.

From smuggling, counterfeiting and tax evasion, to the illegal sale or possession of goods, services, humans and wildlife, the TRACIT report found that illicit trade⁴ is compromising the attainment of the SDGs in significant ways, crowding out legitimate economic activity, depriving governments of revenues for investment in vital public services, dislocating millions of legitimate jobs and causing irreversible damage to ecosystems and human lives.

Illicit trade, criminality and SDG 16 ambitions for peace and justice

While illicit trade poses a threat to all 17 SDGs, nowhere is the nexus as evident than in SDG 16 (Peace, Justice and Strong Institutions). Across the board, this goal is negatively impacted by all types of illicit trade examined in this study.

In many ways, achieving SDG 16 is prerequisite for achieving all the development goals, as it aims to deliver peaceful and inclusive societies with effective governance based on rule-of-law principles. UNEP pointed this out in reporting that the emphasis of SDG 16 on realizing peaceful, inclusive and just societies underpin achievement of all other SDGs. "No resource or tool is more powerful in making progress, economically, environmentally and socially, than a sum of persons empowered to fulfill their potentials in a safe and secure environment, where rule of law prevails."⁵

Illicit trade—in all its forms—stands in direct juxtaposition to SDG 16 and threatens achievement of its objective and several of its underlying targets: Feeding violence (16.1), exploiting women and children (16.2), undermining trust in institutions and the rule of law (16.3), generating enormous illicit financial flows (16.4), breeding corruption (16.5), and financing terrorism (16A).

Moreover, the links between illicit trade and organized crime are well established⁶, from human trafficking networks⁷ and tobacco smuggling⁸, to fuel theft by drug cartels⁹ and the involvement of the mafia and organized criminal groups in the trade of counterfeit goods.¹⁰

Communities and economies are further destabilized when billions of dollars of criminal profits are reinvested into other illicit activities.¹¹ Perhaps most frightening are links to terrorist financing that heighten threats to national and global security.¹²

Accounting for the impacts of COVID-19

This study also recognizes that the COVID-19 pandemic has fundamentally changed the world, including the role and involvement of organized crime in the illicit trade economy. While the pandemic's immediate effect was predictably to slow down all forms of economic activity, including the illicit, findings suggest that criminal groups have swiftly adapted to the new normal exploited the situation and entrenched their positions in illicit markets.

Applying the findings

It is for these reasons that we urge policymakers to address illicit trade and the associated criminal activities, which involves the illegal movement of goods, encompasses corruption throughout various levels of governance, undermines the rule of law and is linked to the funding of transnational organized crime. These crimes in turn are tied to human rights violations, money laundering, illicit financial and arms flow, child labor, and environmental degradation.

As governments move from crisis management into recovery mode, it will be important to formulate policies and implement programs that deter and preclude forces of illicit trade from growing roots in the post-pandemic economy. The ability of the United Nations Office on Drugs and Crime (UNODC) and other UN bodies to deter criminal activity—especially where it derives from illicit trade—will be critical to support Member States in their pursuit of SDG 16 and their capabilities to better defend against illicit trade and organized crime.

Addressing the threat of illicit trade on the SDGs will also require renewed political will of government officials at all levels to prioritize the problem. This includes ramping up implementation of enforcement measures to ensure that illicit trade activities caused by the pandemic do not become permanent features of the post-pandemic economy. There is also a role for private and public sector dialogue on ways to prevent illicit trade. All stakeholders have an interest in stamping out illicit trade and all benefit from collective action.

In short, governments must address the criminal elements of illicit trade that greatly impair progress toward achieving SDG 16.

II. SECTOR REVIEW OF ILLICIT TRADE AND SDG 16

In order to help governments and business better understand how their efforts to achieve sustainable development must account for the negative forces of illicit trade, TRACIT published the 2019 report, *Mapping the Impact of Illicit Trade on The Sustainable Development Goals*.¹³

The following sections review and update key findings from the 2019 report to focus on the criminal elements underpinning illicit trade and their relationship to SDG 16. Additionally, each section incorporates observations from the COVID-19 pandemic, which have had fundamental impacts on the role and involvement of organized crime in illicit trade.

Each section references a sector that participates significantly in international trade and that are particularly vulnerable to illicit trade:

- Agri-food industry
- Agrochemicals and pesticides
- Alcohol
- Counterfeit and pirated goods
- Illegal, underreported and unregulated fishing
- Petroleum products
- Pharmaceuticals
- Precious metals and gemstones
- Tobacco products
- Trafficking in persons
- Wildlife

CHAPTER 1: SDG 16 AND ILLICIT TRADE IN THE AGRI-FOOD INDUSTRY



Illicit trade in the agri-food sector comes in many forms, ranging from economically-motivated adulteration (EMA), commonly referred to as food fraud, to large scale smuggling of agriculture products. Food fraud is the intentional sale of sub-standard food products or ingredients for the purpose of economic gain.

An example of the connection between crime and illicit trade in the agri-food sector is the involvement of organized criminal groups in the commodity value chain of many Italian food products exported abroad. The Italian “Agromafia” has been known to copy fine olive oil, wine and cheese, fueling an explosion of food crime in Italy.¹⁵ This activity has spread to the US consumer market where 75-80% of the “extra virgin” olive oil imported from Italy is not extra virgin.¹⁶ Economic activities in the Italian agri-food sector managed by criminal organizations have nearly doubled from €12 billion in 2011 to more than €22 billion in 2018.¹⁷ Consequently, these activities undermine Italy’s pursuit of SDG Target 16.4 (to combat all forms of organized crime), and Target 16.1 (to significantly reduce all forms of violence and related death rates everywhere).

Given its linkages to organized criminal activity, illicit trade in agri-foods can introduce wider risks to national and regional security, further undermining SDG Target 16.3 (to promote the rule of law) and Target 16.5 (to reduce corruption). This is especially the case when existing routes and markets for cross-border smuggling of foodstuffs are exploited by criminal groups, including non-state armed actors, for trafficking in high-profile illegal goods, such as narcotics and arms.¹⁸ Examples include the lucrative sugar smuggling business across the Kenya–Somalia borderlands, which have been linked to Al-Shabaab militants,¹⁹ and the smuggling of subsidized foodstuffs in the Maghreb region that finances organized crime and supports global illicit trade networks.²⁰ Similarly, the increasing worldwide demand for avocados has encouraged the involvement of crime cartels in food production in Mexico.²¹



COVID-19 pandemic impact on the illicit agri-food industry

Europol and Interpol have been especially vigilant of food fraud in efforts to protect consumers from supply shortages of some products during the pandemic. More than USD 40 million worth of potentially dangerous fake food and drink were seized in an operation coordinated by the two organizations between December 2019 to June 2020. Known as Operation Opson IX, it targeted and seized fake and substandard food and beverages, disrupted 19 organized crime groups and arrested 407 individuals worldwide. About 12,000 tons of illegal and harmful products were confiscated, including dairy products, meat from illegally slaughtered animals and food products falsely labelled as medicinal cures. Notably, seizures of expired food items or where the expiry dates had been altered were significantly higher during the pandemic than during previous Opson operations – suggesting that criminals were capitalizing on the disruption of food supply chains caused by national lockdowns.

Authorities also discovered a shipment of seafood seized in South Africa originating from Asia, which was falsely declared as personal protective equipment.²²

CHAPTER 2: SDG 16 AND ILLICIT TRADE IN AGROCHEMICALS AND PESTICIDES



Illicit trade in agrochemicals and pesticides includes obsolete or banned unauthorized pesticides; untested, unregulated, or unlicensed pesticides; unauthorized imports; counterfeit and fake pesticides; relabeled or mislabeled pesticides; and refilled pesticides containers.

Profits from illegal pesticides have become a highly lucrative activity for organized criminal operations. This is not just an issue for industry, whose products are being counterfeited, but more significantly poses a risk to health and the environment as these illegal substances are not subjected to the same rigorous safety tests that are required before legitimate pesticides are allowed into the marketplace.

By hiding their operations in complex global supply chains, including tactics like repackaging, remarking and changing labels, criminal networks have been successful in avoiding detection.²³

A study by the European Union Intellectual Property Office (EU IPO) estimates that between 10% and 14% of the EU pesticide market is affected by this illegal trade, with criminals netting up to €70 for every trafficked kilogram of illegal pesticides.²⁴ Organized crime groups involved in trafficking pesticides have been found to also be involved in other illegal activities such as trafficking counterfeit cigarettes and illegally trading pharmaceuticals. In addition, their use of illegal migrants raises concerns over human rights abuses.²⁵

Unfortunately, under-resourced enforcement and a weak penal system have not resulted in sufficient deterrence nor threatened the profitability of criminal activities with illegal pesticides.

According to a report by the United Nations Interregional Crime and Justice Research Institute (UNICRI), "Illicit pesticides represent a lucrative activity for organized crime and a concrete threat to security, development, health and the environment." Similarly, Europol notes that, "The trade in illegal and counterfeit pesticides is organized by highly sophisticated criminal networks. Criminals have developed complex global supply chains and exploit legal companies to camouflage their activities. The global revenues associated with this crime are estimated to be billions of euros a year."

Consequently, the trade in illegal pesticides undermines SDG Target 16.4 (combat all forms of organized crime), and SDG Target 16.1 (significantly reduce all forms of violence and related death rates everywhere).



COVID-19 pandemic impact on illegal pesticides

The pandemic did little to dampen the sale of illegal pesticides – one of the world's most lucrative and least understood criminal enterprises. The fifth edition of Europol's coordinated operation Silver Axe, which targets the counterfeit and illicit trade of pesticides, seized twice the amount of illegal product during the 2020 pandemic that it did in the previous period.

The downward economic pressures associated with the pandemic also makes farmers more vulnerable and at risk to cheaper unregulated pesticides. Meanwhile, the global shortage of N95 masks and other personal protective equipment – vital for farmers and farm workers who work with pesticides – leaves workers extra exposed to potentially harmful and dangerous illegal pesticides.

Criminals have also taken advantage of the worldwide crisis to sell illegal disinfectants and sanitizers with false and fraudulent claims that they could protect against COVID-19 (Note: surface disinfectants are categorized as pesticides in the U.S. Similarly, hand disinfectants are considered biocides in Europe and must be authorized prior to being placed on the EU market). In February 2021, the U.S. Environmental Protection Agency (EPA) issued a “stop sale” order to Amazon.com to prevent sales of potentially dangerous or ineffective unregistered pesticides, including multiple products that claimed to protect against COVID-19. The order follows the discovery of several COVID-19-related fraud schemes where individuals were caught importing and selling illegal and unregistered pesticides with false claims that they protected against the virus.²⁶

CHAPTER 3: SDG 16 AND ILLICIT TRADE IN ALCOHOL



Illicit trade in alcohol encompasses a wide variety of illegal activity that is typically characterized as:

- **Contraband/Smuggled Alcohol** – is original branded alcohol that has been illegally imported/smuggled into a jurisdiction and sold, evading tariffs/customs.
- **Counterfeit Alcohol** – is fraudulent imitations of legitimate branded products, including refilling, falsification and tampering.
- **Illicit Artisanal** – is produced following artisanal practices, including home production, but is considered illicit if produced for commercial purposes or if their production and/or sale violate local law.
- **Tax Leakage** – is legally produced alcoholic beverages on which the required excise tax is not paid in the jurisdiction of production.
- **Non-conforming Alcohol** – is produced with industrial alcohol and products not meant for human consumption but diverted to the market for alcoholic beverages (i.e., pharmaceutical alcohol, mouthwash, perfume.)

Illicit trade in alcohol is widespread, representing significant percentages of alcohol consumption worldwide and stripping governments of billions in tax revenues. According to Euromonitor's 2018 Global Study on Illicit Alcohol, 1 in 4 alcohol bottles are illicit, representing 25.8 percent of all global consumption.²⁷ These findings correspond to World Health Organization (WHO) estimates that unrecorded alcohol²⁸ accounts for 25.5 percent of total worldwide adult alcohol consumption and is projected to increase to 27.7 percent in 2020.²⁹

Although market characteristics differ across countries, the problem of illicit alcohol exists in every region, in developed and developing countries, urban and rural areas, and higher-income and lower-income neighborhoods alike.

The involvement of organized criminal groups in illicit trade in alcohol has been well documented in a number of countries.³⁰ For example, organized criminal groups in the UK appear to be active in all stages of the supply chain, "from the suppliers to those holding goods in duty suspense, haulers, excise warehouses, lock-ups and cash-and-carry stores, corner shops and other outlets."³¹ In this regard, the structure of counterfeit alcohol markets relies on actors capable of developing networks of commercial collaborators, who by virtue of their position are able to conceal their illicit actions.³²

Illicit trade in alcohol can also provide a significant and steady source of income that perpetuates the viability of organized criminal groups, subsidizes further criminal activity, and drives corruption in public institutions and local societies, thus undermining SDG Target 16.5, which demands that countries “substantially reduce corruption and bribery in all their forms.”³³



COVID-19 pandemic impact on illicit alcohol

Organized crime has proven to be particularly well-suited to take advantage of supply shortages associated with COVID19 alcohol bans. With legal companies sidelined by the bans, and law enforcement preoccupied with social distancing regulations, criminal groups have entrenched their market positions by diversifying distribution channels and maximizing newfound economies of scale. The combination of dry laws with a health crisis has also meant that already stretched law enforcement agencies were forced to reallocate resources to COVID19 related activities, such as enforcing quarantines, thereby weakening or redirecting existing anti-illicit alcohol enforcement efforts. Unattended enforcement of traditional anti-illicit trade activities, consequently, has provided ample opportunities for organized criminal groups to thrive.

Another example is that Colombia and Panama Law enforcement agencies reported that they faced extra burdens due to the imposition of alcohol restrictions in their countries. Firstly, additional manpower and other resources were needed to enforce the dry laws. Secondly, it was necessary to invest considerable resources in identifying and seizing illicit products. In South Africa, the head of the South African Revenue Service (SARS), highlighted that the alcohol ban has “benefited criminal networks who have gained a foothold in the market.” Consequently, the restrictions have given a massive boost to organized crime, with supply shifting into the control of the illicit industry.³⁴

CHAPTER 4: SDG 16 AND ILLICIT TRADE IN COUNTERFEIT AND PIRATED GOODS



Counterfeit and Piracy:

- Counterfeit trademark goods are any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.
- Pirated copyright goods are any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation.

Intellectual property (IP) crime in the forms of trademark counterfeiting and copyright piracy is a serious transnational organized crime run by extensive and complex criminal enterprises, affecting all sectors of society worldwide.³⁵ A 2019 study by the Organisation for Economic Cooperation and Development (OECD) and the European Union Intellectual Property Office (EUIPO) revealed that the world trade in fake goods is now worth \$509 billion, or 3% of world trade. Almost 7% of products imported into Europe are now counterfeit, corresponding to €121 billion per year.

The trade in fake and pirated goods has emerged as a lucrative and growing business opportunity for organized criminal networks — largely due to the high profits, low risk of discovery, and inadequate or minimal deterrent penalties.³⁶

As noted by the United Nations Interregional Crime and Justice Research Institute (UNICRI), counterfeiting and piracy play a key role in the operations of transnational criminal organizations and “helps fund other criminal activities such as extortion, illegal drugs and human trafficking, compromises the international financial system for money laundering purposes and, ultimately, makes it more difficult for existing law enforcement measures to be effective.”³⁷

New technologies, including social media and encrypted communication applications, have allowed organized crime groups to directly target businesses and consumers from remote locations, making it more difficult for law enforcement to tackle the problem.

A study from French trade association UNIFAB details a number of real examples in supporting the fact that counterfeiting is largely in the hands of major criminal networks and directly participates in the financing of terrorist groups. In their seminal report, UNIFAB finds that *“Terrorist networks now organize the manufacture and distribution of counterfeit to finance their military operations: counterfeiting is increasingly organized, structured and extensive.”*³⁸ The involvement of organized crime in trademark counterfeiting and copyright piracy accordingly undermines the underlying principles of SDG 16 (Peace, justice and strong institutions) and Target 16.4, which calls on countries to significantly reduce illicit financial flows and combat all forms of organized crime.



COVID-19 pandemic impact on counterfeit and piracy

Fraud has been a major problem during the COVID-19 pandemic, with unscrupulous counterfeiters seeking to exploit the health crisis by selling fake testing kits, treatments and personal protective equipment (PPE). In the early months of the crisis, fraudulent forms PPE—surgical masks, hydro-alcoholic gels, testing kits, thermometers, gloves, and sanitizers—flooded online marketplaces, providing evidence that online platforms continue to be a major source of consumer fraud. As early as March 2020 the European Anti-Fraud office (OLAF) opened an inquiry into the illicit trade in fake or mislabeled PPE and worked with customs and enforcement authorities to prevent them from entering Europe. OLAF identified over 340 companies acting as intermediaries or traders of counterfeit or substandard products linked to the pandemic. Millions of substandard medical products with fake EU conformity certificates were seized in several Member States. In addition, the Interpol-led Operation Pangea XIII, which brought together customs and health regulatory authorities from 90 countries, saw the seizure of 48,000 packages of counterfeit PPE and unauthorized antiviral medications in the first week. Similarly, law enforcement officials in the US seized millions of counterfeit N95 face masks and hundreds of shipments of prohibited medical supplies. Many of the masks were fakes, stamped with the 3M logo and shipped in boxes that read, “Made in the U.S.A.,” even though they were not made in the country or by 3M. The masks were being sold to health care workers, who believed they were purchasing and using genuine 3M masks.

Beyond the increase in fake and fraudulent PPEs, counterfeit versions of high-demand consumer products—like cleaning solutions, toilet paper, indoor sports equipment, refrigerators and freezers, food products and reading materials—rapidly entered markets, filling gaps where the legitimate supply chain couldn’t keep pace with frenzied, crisis-level demand.

Not surprisingly, consumption of digital media also rose sharply under the COVID-19 stay-at-home and social distancing regulations. This has propelled an increase in illegally streaming content online: film piracy increased 41% in the US, 43% in the UK, 50% in Spain, 66% in Italy and 63% in India.³⁹

CHAPTER 5: SDG 16 AND ILLICIT TRADE IN FORESTRY PRODUCTS



Illegal logging and illicit timber trade: The International Union of Forest Research Organizations (IUFRO) defines illegal logging and related timber trade as including “all practices related to the harvesting, processing and trading of timber inconsistent with national and sub-national law.” This definition also may be extended to include violations of ratified international treaties and conventions. Such practices include operating under a license that has been obtained illegally (e.g., involving corruption), logging in protected areas, exceeding permitted harvest quotas, processing logs without the necessary licenses, tax evasion and exporting products without paying export duties.”

Illegal logging and organized forest crimes generate billions in illicit profits for criminal networks that harvest, process and trade illicit timber. These criminals are also involved in money laundering, tax fraud, tax evasion, and other forms of trafficking.⁴⁰ Underpinning this activity is widespread corruption throughout the supply chain, from field officers to high-level representatives, to obtain logging permits, avoid controls, and export and import timber illegally.⁴¹

Moreover, some non-state armed groups, terrorist groups and criminal networks finance their criminal activities by exploiting forestry resources in conflict areas. A 2016 study by INTERPOL and the UN Environment Programme (UNEP) found links between forestry crime and drug trafficking in Latin America, as well as links between non-state armed groups and terrorist organizations behind the illegal charcoal trade in Africa.⁴² The study goes on to report, “the involvement of terrorist organizations and armed groups in illegal logging and associated crimes also suggests human rights abuses, which are inherent in the methods used by these groups.”⁴³

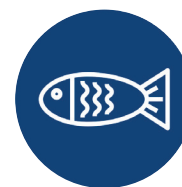
Intensifying the battle against forestry crimes is thus paramount to achieve SDG 16, particularly SDG Target 16.1 (significantly reduce all forms of violence and related death rates everywhere), SDG Target 16.4 (combat all forms of organized crime) and SDG Target 16.5 (substantially reduce corruption and bribery in all their forms).



COVID-19 pandemic impact on forestry crime

Reduced forest monitoring and fewer patrols by enforcement agencies during the COVID-19 pandemic has created opportunities for criminal groups to engage and expand illegal logging activities. As a result, there has been an uptick in illegal logging, with reports of increased logging activity from Brazil, Colombia, Cambodia, Indonesia, Nepal and Madagascar.⁴⁴

CHAPTER 6: SDG 16 AND ILLEGAL, UNREPORTED, AND UNREGULATED FISHING



Illegal, unregulated and unreported fishing (IUU) refers broadly to fishing activities that contravene regional, national or international fisheries conservation or management measures, or occurs outside the reach of these laws and regulations.

Illicit fishing is an abhorrent crime against planet earth and life below water that generates billions in revenue for transnational organized crime.⁴⁵ Compounding the problem, the criminals involved in illegal, unreported and unregulated (IUU) fishing operations also make use of fishing vessels for related criminal activities, such as drugs and firearms trafficking, money laundering, tax fraud, bribery, migrant smuggling, piracy and acts of terrorism.⁴⁶ In addition to the significant economic and environmental costs associated with IUU fishing, this type of illicit trade is also clearly linked with trafficking in persons for the purpose of forced labor.

- The International Labor Organization (ILO) reports that crews of IUU fishing vessels have been shown to be particularly prone to forced labor and human trafficking because of the isolation of the workplace, strong competition within the industry, and the ready supply of vulnerable workers.⁴⁷
- A UNODC study concludes that “instances of human trafficking in the fishing industry are reported to take place in most major regions of the world.”⁴⁸

According to current accounts of the situation, men and boys are forced to work on fishing boats with little or irregular pay, incurring debts from brokers and employers. It is reported that they are forced to work as much as 18 to 20 hours per day seven days a week, without adequate food, water or medical supplies. Boat captains have also been known to threaten, beat, and drug fishermen to work longer hours. Deceptive recruitment tactics and dire working conditions include severe physical abuse, underpayment or nonpayment of wages, restrictions on access to medical care, and confinement at sea for years at a time without permission to come ashore.⁴⁹

Consequently, IUU fishing undermines SDG 16, and in particular SDG Target 16.1 (to significantly reduce all forms of violence and related death rates everywhere), 16.3 (to promote the rule of law), SDG Target 16.4 (combat all forms of organized crime) and SDG Target 16.5 (to substantially reduce corruption and bribery in all their forms).



COVID-19 pandemic impact on IUU fishing

COVID-19 has caused a widespread upheaval for the fishing and aquaculture industry worldwide. The pandemic has affected fishing practices, with changes in the fishing operations themselves, shifts in market patterns and suspension of certain controls in order to avoid transmission of COVID-19 between workers in the sector. For example, some South Pacific island nations have barred vessels from entering their lagoons or prohibited port officials from boarding ships until crews have quarantined for two weeks. The absence of independent observers on trawlers lowers enforcement and monitoring capacity, presenting opportunities for unscrupulous operators to engage in illicit/IUU fishing and related criminal activities with less deterrence. As noted by the OECD, there are also concerns that declining government revenues from sector-specific taxes through fee deferrals, for example, could reduce budgets and further limit management control and monitoring of fishing practices.⁵⁰

CHAPTER 7: SDG 16 AND ILLICIT TRADE IN PETROLEUM PRODUCTS



The criminal modalities of illicit trade in petroleum range from low-level tapping, siphoning, adulteration, and smuggling to extremely sophisticated maritime operations involving extensive networks of criminal and corrupt actors.

Oil and fuel theft along with various forms of fuel fraud are persistent and growing forms of illicit trade, with direct links to organized crime and terrorist groups.⁵¹ Every year, it is estimated that \$133 billion of fuels are illegally stolen, adulterated, or defrauded from legitimate petroleum companies,⁵² with equally significant losses to governments through subsidy abuse and tax evasion.⁵³

Consequently, oil smuggling and fuel theft presents a global security concern, generating a lucrative source of financial income for organized crime, non-state actors and terrorist groups, with examples ranging from Islamic State terrorists to Niger Delta militants and Mexican drug cartels.⁵⁴ This activity significantly threatens national and regional stability, supports corrupt practices and creates significant deterrents for business investment, which thrives in stable, peaceful environments. Oil smuggling and fuel theft can also exact a deadly toll: Attempts to steal fuel from a pipeline north of Mexico City in 2019 caused an explosion that killed at 79 people and injured 81 others.⁵⁵

If left unchecked, the criminal elements involved in illicit trade in petroleum will remain a significant impediment to achieving SDG 16 (Peace, justice and strong institutions) and in particular targets 16.1 (to significantly reduce all forms of violence and related death rates everywhere), 16.3 (to promote the rule of law), 16.4 (to combat all forms of organized crime) and 16.5 (to reduce corruption).



COVID-19 pandemic impact on oil and fuel theft

Oil and fuel theft has increased across Latin America during the COVID-19 pandemic as a way for criminal groups to supply thriving black markets and shore up finances. Reports of increased activity have been noted in Mexico, Ecuador, Colombia and Argentina. In Colombia, Ecopetrol reported a 17% increase in illegal taps detected in its infrastructure between January and August 2020, with nearly 900 taps detected compared to 747 in the same period of 2019. While most instances have concerned pipeline theft, criminal groups have also attacked oil platforms at sea or built clandestine refineries.

There are also concerns that unsold crude oil stocks stored in offshore storage facilities are vulnerable to oil theft in the Niger delta. Coupled with the government's reduced military funding to maritime operation, this situation creates relatively simple targets for pirates.⁵⁶

CHAPTER 8: SDG 16 AND ILLICIT TRADE IN PHARMACEUTICALS



WHO definition of substandard and falsified medical products:

- **Substandard:** Also called “out of specification” are authorized medical products that fail to meet either their quality standards or specifications, or both.
- **Unregistered/unlicensed:** Medical products that have not undergone evaluation and/or approval by the National or Regional Regulatory Authority (NRA) for the market in which they are marketed/distributed or used, subject to permitted conditions under national or regional regulation and legislation.
- **Falsified:** Medical products that deliberately/fraudulently misrepresent their identity, composition or source.

Driven by financial gain, criminal actors have become involved in all aspects of the pharmaceutical supply chain – from manufacturing to distribution. As reported by INTERPOL, organized criminal networks across the globe are involved in pharmaceutical crime throughout the supply chain and have also been found to use the profits from falsified medicine operations to subsidize other clandestine activities. Criminals involved in pharmaceutical crime have been tied to a number of other crimes, including money laundering, human trafficking for sexual exploitation and weapons smuggling.⁵⁷ The involvement of organized crime in illicit trade in pharmaceuticals is a direct threat to SDG target 16.4, which calls on countries to “combat all forms of organized crime.”

In particular, the rapid growth in illicit sales online sales, including online pharmacies established for the purpose of selling fake or otherwise fraudulent pharmaceuticals, has provided criminals with new entry points into consumer markets worldwide – including those in countries with well-regulated markets. While much attention has been focused on the falsification of high-priced medicines, even low-priced medicines can make money for criminals as long as the sales volume is high enough. For example, antibiotics, which are relatively cheap, account for 17% of the falsified products reported to the WHO substandard and falsified medical products surveillance database.⁵⁸



COVID-19 pandemic impact on Illicit pharmaceuticals

The COVID-19 crisis has triggered unprecedented opportunistic and predatory behavior, with criminals taking advantage of the fear-driven demand for personal protection equipment, anti-viral medicines and hygiene products.

The WHO has warned that a growing volume of fake medicines linked to coronavirus are on sale in developing countries. Similarly, Interpol has warned of increases in organized cybercrime linked to COVID-19 medicines. For example, Interpol's operation Pangea XIII held during the early stages of the pandemic saw the seizure of USD 14 million worth of potentially dangerous pharmaceuticals, including counterfeit facemasks, substandard hand sanitizers and unauthorized antiviral medication. Seizures of fake COVID-19 tests and personal protective equipment have also been reported by the U.S. CBP and other members of the World Customs Organization. Furthermore, the European Anti-Fraud Office (OLAF) seized huge quantities of Chinese traditional medicines that allegedly cure COVID-19 being smuggled into the EU.

As Covid-19 vaccines roll out in several countries, counterfeits versions are also being marketed online. In December 2020, INTERPOL issued a global alert to law enforcement across its 194 member countries warning them to prepare for organized crime networks targeting COVID-19 vaccines.⁵⁹

CHAPTER 9: SDG 16 AND ILLICIT TRADE IN PRECIOUS METALS AND GEMSTONES



Illegal mining is that which is undertaken without state permission, in absence of land rights, mining licenses, or exploration permits. Illegal mining can be a large-scale operation, spearheaded by illegal mining syndicates or it can be associated with small, artisanal mining. Precious metals and gemstones are ideal commodities for financing organized criminal groups. They are easily transportable, highly valued and low in volume, highly fungible, easily collected from natural resources, and extremely difficult to trace.

Illicit trade in precious metals and gemstones share a dark nexus with organized crime, terrorism and bloody conflict across the world. The consequences of illicit trade and trafficking of natural resources, such as gold, has been linked to the laundering of funds for illegal activities such as drug trafficking, trafficking in humans, financing terrorism, degradation of the environment, and forced human labor – all of which undermine global efforts to achieve SDG 16.⁶⁰

- Armed groups in Colombia extort local officials in an effort to dominate the US\$2.4 billion illegal gold trade.⁶¹
- Drug cartels in South America use illegal drug profits to invest in gold mining and then sell gold to American and multinational companies, thereby laundering staggering amounts of illicit profits. Some estimates indicate that the trade in illicit gold has become more profitable than cocaine.⁶²
- The illegal exports of tantalum, tungsten, tin and gold (also referred to as 3TG) from the Democratic Republic of Congo and surrounding countries underpins conflict throughout Africa, finances armed groups and encourages forced labor, human rights abuses, corruption and money laundering.⁶³
- Illicit diamond trafficking has funded brutal wars in countries such as Angola, Central African Republic, the Democratic Republic of Congo, Liberia, and Sierra Leone, resulting in the death and displacement of millions of people.⁶⁴
- Afghan Taliban and other Jihadi groups earn as much as USD 200 to USD 300 million annually from illegal mining, the second-largest revenue stream after narcotics.⁶⁵

The continued trafficking of precious metals and other natural resources thus hinders SDG 16 by undermining the ability of governments to maintain safe and fair communities, adhere to human rights and propagates greater transnational organized crime activities.⁶⁶

As noted by UNICRI, the movement of metals and natural resources illegally can often be linked to financing of transnational organized crime and can create conflict and instability in high-risk regions.⁶⁷ This threat has also been recognized by the UN Security Council resolution 2195 (2014) on “Threats to international peace and security”, which emphasized the mitigation of illicit trade involving natural resources, metals, and minerals as necessary in order to stem the flow of transnational organized crime.⁶⁸ Similarly, the Economic and Social Council (ECOSOC) recently adopted resolution E/2019/23 “Combating transnational organized crime and its possible links to illicit trafficking in precious metals and illegal mining, including by enhancing the security of supply chains of precious metals,” which emphasized the link between organized crime and illicit trafficking of precious metals and natural resources. It also encourages Member States to work with the UNICRI, United Nations Office on Drugs and Crime (UNODC), and other UN bodies to obtain technical assistance and promote information sharing, aligning with SDG 16 (as well as SDG 12 and SDG 17).⁶⁹



COVID-19 pandemic impact on illicit trade in precious metals and gemstones

The COVID-19 pandemic has had a negative impact on efforts to curb illegal sourcing of minerals. For example, rising gold prices, surging unemployment and lax enforcement by a preoccupied government, has stimulated illegal gold mining during the pandemic. Illicit mining in the Amazon has boomed— with the potential for long-lasting consequences.

Similar experiences have been reported in other countries. In Indonesia soaring gold prices have fueled a boom in illegal panning in rivers. In Zimbabwe, the economic impact of the virus coupled with crippling hyperinflation and unemployment spurred an illegal gold rush in the mountains. Despite supply chain disruptions, the illegal gold trade has continued in the Democratic Republic of the Congo. Armed groups have been able to continue smuggling gold by diverting the use of trucks authorized for transporting “essential goods” to circumvent government protocols and border closures.⁷⁰

CHAPTER 10: SDG 16 AND ILLICIT TRADE IN TOBACCO PRODUCTS



Illicit trade in tobacco generally includes any practice or conduct prohibited by law which relates to production, shipment, receipt, possession, distribution, sale, or purchase of tobacco products including any practice or conduct intended to facilitate such activity.

Illicit trade in tobacco is perhaps the most widespread and well-documented sector vulnerable to illicit trade.⁷¹ It has been estimated that 1 in every 10 cigarettes and tobacco products consumed globally is illicit.⁷²

There are a number of factors contributing to the pervasiveness of illicit tobacco trade. While large price and tax differences between countries or jurisdictions create the financial incentives for tax evasion, other enabling factors include weak governance, high levels of corruption, poor government commitment to combatting illicit tobacco, ineffective customs and tax administrations, weak controls in free trade zones, out-of-date regulatory frameworks to address illicit trade, and the presence of informal distribution channels for tobacco products.⁷³ Moreover, tobacco products are easily transported and disguised, and the laws and penalties involved are relatively low, thereby making it a *high-profit, low-risk* opportunity.⁷⁴

These factors combine to make illicit trade in tobacco a preferred source of revenue for criminal groups. Numerous case studies show that the proceeds from illicit trade in tobacco products are laundered by organized criminal networks and redirected to fund other criminal activities, including terrorism.⁷⁵

For example, in the sub-Saharan region of Africa, where traffickers closely cooperate with regional terrorist groups, the trafficking of illicit cigarettes is second only to trafficking in narcotics as one of the main sources of funding for terrorist activities.⁷⁶ In Central and Eastern Africa, “rebels accused of serious human right violations have been reported to use the illegal tobacco trade to finance their activities.”⁷⁷

Consequently, by financing the operations of criminal networks illicit trade in tobacco erodes the rule of law and upsets peaceful existence in communities and countries worldwide. This is viewed as a major security threat by governments and consequently the attainment of SDG 16.⁷⁸ Large-scale illicit tobacco trade, which is generally conducted by organized criminal networks, thrives in environments characterized by weak governance, high levels of corruption, and lax law enforcement. Smuggling of other commodities is also common in these countries and regions.⁷⁹

This illegal activity generates large illicit financial flows (undermining SDG Target 16.4), enables corruption (undermining SDG Target 16.5) and facilitates other transnational organized crimes such as money laundering and/or human trafficking (undermining SDG Target 16.2).⁸⁰



COVID-19 pandemic impact on Illicit trade in tobacco products

Different approaches to fighting COVID-19 and mitigating its effect on the population have had a significant impact on the illicit trade landscape. For example, government-imposed supply restrictions have incentivized large-scale trafficking by transnational organized crime groups, such as those operating in Eastern Europe. The decision to ban the sale of tobacco and cigarettes in South Africa led to an increase in illegal sales. A University of Cape Town study published in July found that an estimated 93% of consumers were driven to buy cigarettes from illegal sellers following the introduction of the ban. Also, during the pandemic, criminals exploited the use of social media and messaging apps to inform consumer on where and how to access illicit cigarettes.⁸¹

CHAPTER 11: SDG 16 AND TRAFFICKING IN PERSONS



Trafficking in persons is defined as “the recruitment, transportation, transfer, harboring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labor or services, slavery or practices similar to slavery, servitude or the removal of organs.” *UN Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children.*

Not unlike other forms of illicit trade, trafficking in persons is a lucrative form of organized crime and a high-profit, low-risk activity that undermines the rule of law, fuels corruption, and funds conflict and terrorism.⁸² It is a human rights abuse that represents a failure of nation states and the global community to ensure the security and freedoms of their citizens, and thus impedes the attainment of SDG 16, as well as SDG Target 5.2 (to eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation) and SDG Target 8.7 (to take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor).

The International Labour Organization (ILO) and the Walk Free Foundation (WFF) estimate that 24.9 million people are victims of forced labor globally.⁸³ According to the ILO, trafficked forced laborers produce a total illicit profit of US\$150 billion per year.⁸⁴ And, given that human trafficking is by definition a criminal activity, these monies perpetuate the livelihoods and activities of criminals and the associated criminal networks. An alarming note is the composition of trafficking victims, of which roughly half are women. According to the UNODC, women are primarily trafficked for the purpose of sexual exploitation, but also for sham or forced marriages, begging, domestic servitude, organ removal, and forced labor in agriculture, catering, garment factories, and the cleaning industry.⁸⁵ Furthermore, the share of child victims has increased. In 2014, 28 percent of detected victims were children⁸⁶ and 71 percent of those child victims were girls.⁸⁷ Combating the trafficking of children is specified under SDG Target 16.2, which calls for action to “end abuse, exploitation, trafficking and all forms of violence against and torture of children.”



COVID-19 pandemic impact on trafficking in persons

COVID-19 has drastically affected the lives of millions around the globe and there are concerns that the COVID-19 outbreak and the associated government measures to control it may have both short- and long-term impacts on trafficking in persons and its victims. As noted in UNODC's 2020 Global Report on Trafficking in Persons, the COVID-19-induced recession and sharp increase in unemployment rates is likely to expose more people to human trafficking, particularly from countries experiencing the most rapid and persistent drops in employment. With millions of women, children and men worldwide out of work, out of school and without social support, there is an increased risk of people becoming vulnerable to trafficking.

The COVID-19 pandemic has also hastened the world's digital transformation, and UNODC's Global Report on Trafficking in Person report has found that traffickers have been quick to adapt their strategies to integrate technology into their modus operandi at every stage of the process: from recruiting to exploiting victims. Criminals are now able to target a larger number of victims worldwide — including women and children — using primarily social media networks and recruitment websites.⁸⁸

CHAPTER 12: SDG 16 AND ILLICIT TRADE IN WILDLIFE



The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) defines wildlife as all fauna and flora. For the purpose of this report, however, illicit trade in wildlife will exclude fish, as this is covered under the Illegal, Unreported and Unregulated Fishing section above.

Illicit trade in wildlife is rarely an isolated act but is usually part of a criminal network that operates beyond the borders of one country and even of one continent. It is also often associated with other crimes, such as organized crime, money laundering, tax fraud and corruption.⁸⁹ The criminal elements that underlie wildlife trafficking erode state authority, undermine security and the rule of law, and help finance organized crime and insurgent groups.⁹⁰ As a result, illicit trade in wildlife hinders achievement of several goals and targets under SDG 16, namely the reduction in illicit financial flows (SDG 16.4); the reduction of corruption and bribery (16.5); effective and transparent institutions (16.6) and more broadly speaking, rule of law at the national and international levels (SDG 16.3).

Ivory has been called the “new conflict resource,”⁹¹ and as highlighted by the WWF, “ongoing armed conflicts and illicit wildlife trafficking [in Africa] seem to be interlinked, and wildlife trafficking is often used to finance terrorist activities and launder money from other illegal trafficking activities.”⁹² In a report to the world’s highest international security body, former UN Secretary-General Ban Ki-moon wrote, “Poaching and its potential linkages to other criminal, even terrorist, activities constitute a grave menace to sustainable peace and security in Central Africa.”⁹³ Because of the use of poaching to finance organized crime and terrorist activities, the UN placed sanctions on wildlife trafficking and groups who perpetrate wildlife crimes in the Democratic Republic of Congo and Central African Republic in 2014.⁹⁴



COVID-19 pandemic impact on illicit trade in wildlife

The effects of COVID-19 on illegal wildlife trade share many similarities to other forms of illicit trade: reduced monitoring and enforcement efforts combined with increased pressures on natural habitats as large migrations of unemployed people move from urban spaces to rural ones create both opportunities and incentives for illicit activity. Restrictions on international travel have had a severe impact on nature-based tourism in many African states, putting as much as USD 30 billion in Africa-wide GDP at risk. At the same time, the closure of national parks and wildlife reserves, along with a massively underfunded conservation sector, created opportunities for poachers. For example, when Uganda's international borders were sealed to protect against the pandemic, visitors to national parks and wildlife reserves dropped from 25,000 per month to zero. Meanwhile, Uganda saw a doubling of poaching incidents between February and May 2020 compared to the same period in 2019.

Yet the most nefarious linkage between wildlife crime and COVID-19 may lie in the origins of the pandemic itself. It is widely accepted that COVID-19, just like SARS, Ebola, Bird Flu, and MERS, originated from an animal. While determinations are still being made, scientists have suspected that pangolins, one of the most-common illegally trafficked animals in South East Asia, may have triggered the current crisis, as these smuggled animals carry viruses closely related to coronavirus. Regardless of the intermediate animal involved in the transmission of the SARS-CoV-2 virus to humans, the unregulated nature of illegal wildlife trade — in which many animals come into close proximity with each other and people — offers the perfect conditions for a virus in one species to spill over into another, making this illegal trade a continued threat to human health and future pandemics.⁹⁵

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TO COMBAT ILLICIT TRADE**

TRACIT.ORG

Transnational Alliance to Combat Illicit Trade
One Penn Plaza, New York, NY | +1.917.815.2824
email: info@TRACIT.org | TRACIT.org