Mapping the negative impacts of Illicit Trade on the UN Sustainable Development Goals

*Business is a vital partner in achieving the Sustainable Development Goals. Companies can contribute through their core activities, and we ask companies everywhere to assess their impact, set ambitious goals and communicate transparently about the results.*

Ban Ki-moon, former United Nations Secretary-General[[1]](#endnote-1)

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# Abbreviations and acronyms

[Section under construction]

# Executive summary

[Section under construction]

The UN’s 2030 Agenda for Sustainable Development recognizes that international trade is an engine for inclusive economic growth and poverty reduction and will, therefore, be an important means to achieve the Sustainable Development Goals (SDGs).[[2]](#endnote-2)

However, this potential is significantly compromised by illicit forms of trade that crowd out legitimate economic, deprive governments of revenues for vital public services, dislocate hundreds of thousands of legitimate jobs and cause irreversible damage to ecosystems and human lives. These alarming consequences are especially evident in developing countries hard-pressed to monetize resources, commercialize innovation, attract investment, establish lasting job opportunities and create genuine economic growth.

Business has a vital role in sustainable development and in achieving the SDGs. In addition to its functions in international trade, Business is a source of finance and investment, a key actor in bridging the innovation and technology gaps necessary to meet the SDGs and a driver of employment and economic growth.[[3]](#endnote-3) But these contributions are also compromised by illicit trade, which is a malignant threat to many of the world’s most valued industries.

The purpose of this report is therefore to identify how illicit trade compromises legal international trade, business engagement in trade and the resulting contributions to achieving the SDGs.

To do so, we’ve explored illicit trade in 11 key industry sectors that participate significantly in international trade and mapped these against the 17 UN SDGs. These sectors include agri-foods, alcohol, fisheries, forestry, petroleum, pharmaceuticals, precious metals and gemstones, pesticides, tobacco, and wildlife, as well as trafficking in persons and counterfeiting and piracy. Through the research undertaken to prepare this report, it has become very clear that the social-economic impacts of illicit trade are all quantifiably negative. In fact, we find that that all 17 of the SDGs are negatively impacted by illicit trade.

Illicit trade has significant “macro” impacts which cut deeply across many of the SDGs, undermining achievement of the economic goals for poverty reduction, decent jobs and economic growth, when the crowding-out effect of illicit trade drains revenue and growth potential from the legal economy (SDGs 1, 2, 3, 4 & 8) and robs governments of taxable income that can be invested in public services (SDG 9). Illicit trade also undermines global goals for peace and stability (SDGs 11 & 16), when it provides revenues to organized criminals and terrorist groups. All forms of illicit trade plunder natural resources (SDGs 6, 14 & 15) and abuse supply chains and ultimately expose consumers to fake and potentially harmful products (SDG 12).

In other cases, illicit trade acutely undermines the achievement of specific SDGs, calling for business measures to ensure that illegal fishing does not deplete food supplies (SDG 2) and that the oceans are sustainably managed and protected (SDG 14); or working against illicit trade in pharmaceuticals to ensure the health and safety of consumers (SDG 3); or making sure that human trafficking is not present in the supply chain (SDG 8).

As governments grapple with programs, policies, incentives and best-practices to drive development, clear and present benefits are available by clamping down on the leakages resulting from illicit trade.

With governments increasingly using the SDGs as their starting point in shaping and implementing their national agenda, the Goals will have a substantial impact on the way the private sector does business moving forward. Furthermore, companies with high Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG) ratings have lower costs of debt and equity, and outperform the market.[[4]](#endnote-4) Against this backdrop, doing nothing is a costly option. The SDGs are a roadmap for how companies can create social, economic, and environmental value for their stakeholders.

# Introduction

## The UN Sustainable Development Goals

In January 2016, the UN reached agreement on the 2030 Agenda for Sustainable Development, which contained 17 Sustainable Development Goals (SDGs).[[5]](#endnote-5) The SDGs sets targets and timelines to address the world’s most acute economic, social and environmental challenges. They cover everything from poverty eradication to zero hunger to clean water for all; and build and expand upon the Millennium Development Goals.[[6]](#endnote-6)

The 2030 Agenda obligates member states to take steps to implement the SDGs and report on progress. The UN’s role is to help those countries that ask for help and work as a forum where countries can come together to discuss implementation, report on progress and share data.

The UN also established specific targets to be achieved by 2030. Every four years, the heads of state will meet at the UN to review progress made towards the full implementation of the 2030 Agenda.

According to the Business & Sustainable Development Commission, achieving the SDGs could unlock US$12 trillion a year in market opportunities across four economic systems (food and agriculture; cities and urban mobility; energy and materials; and health and well-being) by 2030, creating more than 380 million jobs.[[7]](#endnote-7)

## The role of business in achieving sustainable development

Although the implementation of the SDGs is ultimately the responsibility of governments, all actors in society have a role to play. This includes the public at large, NGOs, academia and business. However, the UN does not fix the modalities for achieving the SDGs. As a result, it is up to governments and all other involved actors involved to devise a plan and ensure that it is realized. Implementation of the SDGs will take a variety of forms, including government regulation; investment; innovation; technology development and application; and public-private partnerships.

The goals simply will not be achieved without meaningful action by business. Not only is business a source of finance and a key actor in bridging the innovation and technology gap necessary to meet the Goals, but also a driver of employment and economic growth.[[8]](#endnote-8)

In short, all companies, regardless of size, industry, or geographical location, have the potential to play an important role in reaching the SDGs. As highlighted by the UN Global Compact, GRI and the World Business Council for Sustainable Development (WBCSD), the SDGs can help business in identifying future business opportunities; enhancing the value of corporate sustainability; strengthening stakeholder relations and keeping the pace with policy developments; stabilizing societies and markets; and using a common language and shared purpose.[[9]](#endnote-9) As stated by Paul Polman, CEO of Unilever, “It is not possible to have a strong, functioning business in a world of increasing inequality, poverty and climate change.”[[10]](#endnote-10) Those companies that embrace the SDGs will be able to open new markets as the SDGs redirect public and private investment flows towards dealing with the challenges they highlight. In sum, it is in business’ self-interest to realize the goals as business “stands to unlock trillions of dollars through new markets if they are achieved.”[[11]](#endnote-11)

## Illicit trade and the SDGs

Illicit trade undermines society’s efforts to achieve all of the SDGs. In some cases, illicit trade undermines achievement of the macro-economic and societal Goals. For instance, the crowding-out effect of illicit trade drains revenue and growth potential from the legal economy, robs governments of taxable income, and “tends to encourage unequal development of regions as revenues tend to be concentrated in particular economies of the world”[[12]](#endnote-12) (SDG 1 & SDG 8). Illicit trading provides a substantial portion of the incomes of organized criminals and terrorists groups (SDG 11 & SDG 16). All forms of illicit trade rape natural resources (SDG 14 & 15) and ultimately dupe consumers or unknowing intermediaries into purchases of fake and potentially harmful products (SDG 12).

In other cases, illicit trade acutely undermines the achievement of specific SDGs. Whether that means working against Illegal, Unreported and Unregulated Fishing to ensure that coastal regions’ food supply is not depleted (SDG 2) and that the oceans are sustainably managed and protected (SDG 14); or working against illicit trade in pharmaceuticals to ensure that the health and safety of consumers (SDG 3); or making sure that human trafficking is not present throughout the supply chain (SDG 8), business is a critical partner in the process.

With governments increasingly using the SDGs as their starting point in shaping and implementing their national agenda, the Goals will have a substantial impact on the way the private sector does business moving forward. Furthermore, companies with high Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG) ratings have lower costs of debt and equity, and outperform the market.[[13]](#endnote-13) Against this backdrop, doing nothing is a costly option. The SDGs are a roadmap for how companies can create social, economic, and environmental value for their stakeholders.

|  |
| --- |
| **Private sector action to achieve the SDGs: P&G’s Head & Shoulders Eco-Bottles**  One example of business pro-actively working towards protecting the environment and making sure that the oceans are sustainably managed and protected (SDG 14), is P&G’s Head and Shoulders Eco-Bottles initiative. In partnership with TerraCycle – a world leader in the collection and repurposing of hard-to-recycle post-consumer waste – and Suez – a key player in the sustainable management of resources – Head & Shoulders has produced the world’s first recyclable shampoo bottle made with up to 25% recycled beach plastic. This initiative is the world’s largest production run of recyclable bottles made with post-consumer recycled beach plastic, and a first major step in establishing a unique supply chain that involves the support of thousands of volunteers and hundreds of NGOs collecting plastic waste found on beaches. In addition, P&G’s goal is to have 99% of all hair care bottles sold in Europe converted to include 25% post-consumer recycled content by the end of 2018.  Sources: <https://us.pg.com/who-we-are/citizenship/2017-citizenship-report>, p. 95; <http://news.pg.com/press-release/head-shoulders/pgs-head-shoulders-creates-worlds-first-recyclable-shampoo-bottle-made-> |

In short, illicit trade cannot be viewed as a separate problem to be addressed in isolation. A holistic approach is needed. The same applies to the SDGs. It is important to recognize their interconnectedness; often the key to success on one will involve tackling issues more commonly associated with another. The need for an all-inclusive approach is embodied by SDG 17 (Partnership for the Goals), which calls for a revitalized and enhanced global partnership between Governments, civil society, the private sector, the United Nations system to mobilizes all available resources to achieve the 2030 Agenda. Business and industry can not limit its focus to traditional economic growth (Goals 8 and 9), while government agencies address environmental challenges (Goals 13, 14, and 15) — because the pursuit of Goals 8 and 9 and Goals 13, 14 and 15 are interlinked and interdependent.[[14]](#endnote-14) Splitting them up is therefore not an option.

TRACIT represents the voice of global business engaged in combatting illicit trade. This study maps how illicit trade in agri-foods, alcohol, fisheries, forestry, petroleum, pharmaceuticals, precious metals and gemstones, pesticides, tobacco, and wildlife, as well as trafficking in persons and counterfeiting and piracy impacts the achievement of SDGs. It also highlights private sector efforts that could be scaled up or implemented across sectors in an effort to reach the goals by 2030. Now is the time for business to engage as key partners in the global development effort.

## Illicit trade is a threat to peace and prosperity

[Section under construction]

While illicit trade poses a direct or indirect threat to nearly all the SDGs, the nexus to SDG 16 (peace, justice and strong institutions) is perhaps the most tentative and cross-cutting.

Peaceful and inclusive societies with effective governance based on the rule of law are both a result and prerequisite for achieving all of the sustainable development goals. SDG 16 aims to achieve these outcomes by focusing on efforts to reduce violence and corruption, promoting the rule of law and transparent, responsive institutions, and encouraging inclusive decision-making.

Illicit trade – in all its forms – stand in direct juxtaposition to this goal. Illicit channels billions of dollars of legitimate revenue and taxes into the hands of criminals who reinvest the ill-gotten gains into other illicit activities.[[15]](#endnote-15) Proceeds from this illegal activity compromise the integrity of foreign markets and financial systems, fuel corruption and money laundering.

The links between illicit trade and organized crime is well established; organized crime is a driver of illicit trade and the illegal economy that it supports.[[16]](#endnote-16) Transnational organized crime is involved in all forms of illicit trade, from human trafficking networks[[17]](#endnote-17) and tobacco smuggling,[[18]](#endnote-18) to fuel theft by Mexican drug cartels[[19]](#endnote-19) and the involvement of the Mafia and Camorra in the trade of counterfeit goods.[[20]](#endnote-20) There also are numerous examples of links between illicit trade and terrorist financing, raising both national and transnational security concerns.[[21]](#endnote-21)

Illicit trade poses a direct or indirect threat to nearly all the SDG 16 targets: Illicit trade and organized crime feeds violence (16.1); breeds corruption (16.5); generates enormous illicit financial flows (16.4); finances terrorism (16A); exploits women and children (16.2); and undermines trust in institutions and the rule of law (16.3).

Insecurity and weak governing institutions inhibit economic growth. The loss of revenues from illicit trade – coupled with costs to tackle this threat – has direct impacts on government budgets and, by extension, its ability to provide a range of social needs including education, infrastructure, health, social protection, and job opportunities.[[22]](#endnote-22) Moreover, illicit trade and high levels of organized criminal activity are significant deterrents for business investments, which depend on stable, peaceful environments. Such dislocations in investment create further obstacles to a number of SDGs which rely on private sector investments. With the private sector’s role as a driver of employment, this has serious consequences for local populations’ opportunities to make a living. In order to ensure a favorable investment climate, it is therefore not only in the interest of governments – but also the entire private sector, regardless of industry – to ensure that illicit trade is combatted.

Without concurrent efforts to combat all forms of illicit trade – and the corruption and organized crime that it supports and is supported by – the global community will not be able to achieve SDG 16, let alone the overarching sustainable development goals to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity.

## Illicit trade is a threat to inclusive economic growth

[Section under construction]

Illicit trade has an overall negative fiscal effect on governments by reducing sales, displacing legitimate products, depressing tax and revenue collection, as well as putting at risk the economic sustainability of legal producers and their ability to grow, invest and employ; all of which impedes the achievement of SDG 8’s overarching goal of sustaining economic growth.

* According to the TaxPayers’ Alliance, the UK Treasury lost around £31.6 billion of tax revenue between 2010 and 2015 because of the illicit market in spirits, beer, wine, cigarettes, rolling tobacco and diesel. £13.9 billion was lost due to the illicit trade in cigarettes, with £5.8 billion being lost because of the black market in spirits. A further £3.5 billion was lost to the illicit trade in wine and £4.8 billion to diesel.[[23]](#endnote-23)
* Mexico forfeits more than US$1 billion in annual revenue from fuel theft[[24]](#endnote-24) – a serious loss of income as oil revenues customarily subsidize roughly a third of the government’s budget.[[25]](#endnote-25)
* The EU loses more than $4 billion yearly in tax revenue to fuel fraud.[[26]](#endnote-26)

Illicit trade can have a particularly debilitating effect on developing countries ability to improve domestic capacity for tax and other revenue collection (SDG 17.1). Improperly taxed, untaxed or smuggled goods deprive governments of important revenue and present a particular challenge for developing countries, which struggle to raise sufficient revenue to provide basic services to fund the SDGs, such as road infrastructure, healthcare, and public safety. Research indicates that at least 15 percent of GDP in revenue is necessary to finance these basic services, but in almost 30 of the 75 poorest countries, tax revenues are below this 15 percent threshold.[[27]](#endnote-27)

Furthermore, government programs and resources targeted at addressing illicit trade divert funds away from activities that could help to achieve development goals.

Given the importance of mobilizing revenues, many countries look to introduce tax reforms that can deliver significant health, revenue, and good governance benefits.[[28]](#endnote-28) At the same time, countries need to pay greater attention so that spillovers from their tax policies do not inadvertently incentivize illicit trade. Pervasive smuggling and tax evasion undermines the credibility of any tax reform, creating a disparity between law-abiding and law-evading firms and consumers.[[29]](#endnote-29)

* Subsidies to the fisheries sector, roughly US$35 billion annually,[[30]](#endnote-30) exacerbate unsustainable ﬁshing practices by increasing fishing capacity – which in turn promotes overfishing and other destructive fishing practices. By some estimates, these subsidies have helped produce a worldwide fishing fleet that is up to 250 percent larger than is economically and environmentally sustainable, driving overexploitation of already depleted resources.[[31]](#endnote-31)
* Fuel smugglers exploit price differentials between countries by smuggling cheaper, untaxed or heavily subsidized fuel into higher priced jurisdictions, enabling a profitable and less traceable sale. Higher-priced, nonsubsidized and taxed fuels also may be diluted with smuggled lower-priced or subsidized fuels. The Philippines loses some US$750 million annually in tax revenue due to adulterated fuel products entering its supply chain from smuggling.[[32]](#endnote-32)

Sharp increases in excises taxes also may create a vacuum for criminals to fill.

* In 2013 the alcohol excise tax in Romania was increased by 40%. The effect was immediate, with a 32% decline of the legal taxed market and a revenue loss of about €2 million for the state budget in 2014. The increase not only damaged the legitimate sector without generating additional revenues for the State, and every week there were reports of alcohol poisoning due to the consumption of surrogate/denatured alcohol.  As a consequence of all the problems, the Romanian Government decided to lower the excise rate on spirits by 30% from 1 January 2016.[[33]](#endnote-33)
* Belgium is another example. The 40% increase of excise tax on spirits in November 2015 has had devastating effects as predicted by the industry: losses in sales, jobs, and in investments due to cross border purchases.  In 2016, the Belgian Ministry of Finance was expecting an extra €220m in excise revenues but the reality is very different.  At the end of the first year, only an extra €51 million was collected instead of the €220m expected.  Moreover, because of increased cross border shopping, Belgium lost €73 million in VAT.  This means a net loss of €22 million to the Belgian exchequer compared with 2015.[[34]](#endnote-34)

It is important to recognize that while increased taxes may provide an incentive to engage in illicit trade, other significant factors include weak governance and corruption, lack of political commitment and ineffective tax administration. When considering tax reforms, governments should include proactive monitoring, evaluation and countervailing measures to ensure that tax reforms yield the desired health, revenue, and governance outcomes, as well as mitigate the risk of adverse outcomes.

…IGOs have a role to play in providing guidance to countries and other stakeholders on how to better target tax efforts to achieve broader development goals….

## Global partnerships are necessary to combat illicit trade

[Section under construction]

* TRACIT is a response to SDG 17-partnership for the goals.
* SDG 17: In an increasingly globalized and interconnected world, commitment to global partnership and coordinated effort by governments, companies, investors, international organizations and civil society are necessary. Partnering can lead to higher-quality, longer-term sustainable outcomes than any stakeholder could achieve on its own.
* Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.”
* We can make the argument that for excise tax heavy sectors (fuel, alcohol and tobacco) rampant illicit trade prevents countries from mobilizing tax collection.

## Overview of the link between illicit trade and the SDGs

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# SDGs and illicit trade by sector

[Section under construction]

The following sections maps how illicit trade in agri-foods, alcohol, fisheries, forestry, petroleum, pharmaceuticals, precious metals and gemstones, pesticides, tobacco, and wildlife, as well as trafficking in persons and counterfeiting and piracy impacts the achievement of SDGs.

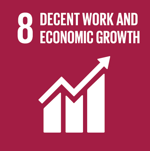
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Analysis of impacts on key SDGs

Summary

It also highlights private sector efforts that could be scaled up or implemented across sectors in an effort to reach the goals by 2030.

## SDGs and illicit trade in alcohol

** **

Illicit trade in alcohol is widespread, representing significant percentages of alcohol consumption worldwide and stripping governments of billions of dollars in tax revenues. According to the World Health Organization (WHO), illicit alcohol—otherwise known as “unrecorded” alcohol – accounts for approximately 25% of total worldwide adult alcohol consumption.[[35]](#endnote-35) Unrecorded alcohol, as a proportion of total alcohol consumed, was highest in the Eastern Mediterranean, South-East Asia, and Africa regions (55%, 47%, and 30%, respectively); and according to an European Union Intellectual Property Office (EUIPO) study carried out in 2016 and limited to the counterfeiting problem, “the legitimate [alcohol] industries loses approximately €1.3 billion of revenue annually due to the presence of counterfeit spirits and wine in the EU marketplace, corresponding to 3.3% of the sectors’ sales.”[[36]](#endnote-36)

Illicit trade in alcohol encompasses a wide variety of illegal activity that is typically characterized as:[[37]](#endnote-37)

* **Contraband/Smuggled Alcohol**: Alcohol with original branding that has been illegally imported / smuggled into a jurisdiction and sold, evading tariffs/customs. This Includes beverages brought across the border via organized smuggling or in excess of the applicable traveler’s regulated allowance.
* **Counterfeit Alcohol**: Fraudulent imitations of legitimate branded products, including refilling, falsification and tampering. These beverages infringe the intellectual property rights of legitimate producers and present brand reputational risk and potential liability. It is often produced in illicit factories and sometimes substitutes lower grade alcohol not intended for human consumption such as denatured ethyl alcohol.
* **Tax Leakage**: Legally produced alcohol beverages on which the required excise tax was not paid in the jurisdiction of production.
* **Non-conforming Alcohol**: Products that are not compliant with production processes, guidelines, or labeling legislation. Includes products produced with denatured alcohol or illegal industrial alcohol.

Smuggling of alcoholic beverages notably mirrors other forms of illicit trade, including the illicit tobacco market and fuel theft, where criminals move illicit products across borders with the express purpose of evading the payment of excise duties or profiting from tax arbitrage by reselling product in higher tax markets.

### Impact of illicit trade in alcohol on achieving the UN Sustainable Development Goals

Illicit trade in alcohol threatens achievement of three of the SDGs:

* SDG 3 (good health and well-bring);
* SDG 8 (decent work and economic growth); and
* SDG 16 (peace, justice and strong institutions);

#### Ensuring healthy lives and promote well-being for all at all ages (SDG 3)

SDG target 3.5 calls on countries to strengthen the prevention and treatment of substance abuse, including […] harmful use of alcohol.

Several categories of Illicit alcohol arguably contribute to the “harmful use of alcohol” mentioned in target 3.5. While smuggled original brands may not pose health issues different from those caused by legally traded products, health risks are created by counterfeit alcohol, fictitious brands and, to a lesser extent, home production.[[38]](#endnote-38) The health dangers of Illicit trade in alcohol can be significant and are linked to the absence of controls in the manufacturing phase, which lead to end-products that do not comply with sanitary, quality and safety regulations. In addition, the presence of cheap illicit alcohol on the market also may undermine government policies aimed at reducing alcohol consumption. Readily available and lower-priced illegal alternatives drive greater consumption of lower quality alcohol products, which can result in consumption abuse and the associated health and well-being consequences of this.[[39]](#endnote-39)

SDG target 3.9 sets the objective of substantially reducing the number of deaths and illnesses from hazardous chemicals and includes the “mortality rate attributed to unintentional poisoning” as one of the key indicators to measure the achievement of this target. Again, certain types of illicit alcohol increase the health risks associated with its consumption. For example, the WHO has stressed the potentially detrimental effects on health posed by surrogate and home-produced alcohol due to contamination with substances added either as a denaturant (methanol) or inadvertently introduced during home-production (ethyl carbamate).[[40]](#endnote-40) The biggest problem may be caused by methanol additives, which have led to several outbreaks of acute poisoning.[[41]](#endnote-41) These findings are corroborated by the World Customs Organization (WCO) seizure records, which confirmed that “in many instances, these [illicit] products are produced using other, cheaper types of alcohol which can have serious adverse health effects. Commonly used substitutes for ethanol include chemicals used in cleaning fluids, nail polish remover and automobile screen wash, as well as methanol and isopropanol which are used in antifreeze and in some fuels.”[[42]](#endnote-42)

#### Decent work and economic growth (SDG 8)

Illicit trade in alcohol undermines sustainable economic growth, full and productive employment and decent work for all (SDG 8), as it diverts income from the balance sheets of legitimate businesses. This in turn undermines their ability to create jobs and pay taxes. Lost corporate and personal income taxes, along with avoided excise taxes, strips governments of income intended for public investment, with relatively more severe impacts on developing countries. For example, the UK government lost £1.3 billion in excise tax revenue in the period 2015-16,[[43]](#endnote-43) and Dutch authorities estimate the annual revenue losses from illicit trade in alcohol at €100 million.[[44]](#endnote-44) Liquor bootlegging in New York City alone is estimated to have cost the city $1 billion in lost taxes over the past 15 years.[[45]](#endnote-45)

A 2016 report by the EU Intellectual Property Office (EUIPO) shows that the legitimate industries in the EU lose €1.3 billion of revenue annually due to the production of fake spirits and wine, corresponding to 3.3% of the sectors’ sales. If the knock-on effects on other industries and on government revenue are added, this leads to a loss of €1.2 billion in government revenues, of which €739 million are excise duties, and a loss of 23,400 jobs.[[46]](#endnote-46)

For developing countries, widespread smuggling and local production of illicit and counterfeit alcoholic drinks can have a particularly debilitating effect on efforts to improve domestic revenue collection, by denying the government a significant source of potential tax income.

* Fake and unlicensed alcoholic products in Kenya are estimated to be 30%[[47]](#endnote-47) of the market and include the use of fake Kenya Revenue Authority (KRA) stamps to evade taxes. The illicit products have seen government lose billions of shillings in unpaid taxes.[[48]](#endnote-48)
* Myanmar’s government lost US$50 million in tax to beer smugglers in 2016, with up to 30% of all the beer sold in the country illegally imported.[[49]](#endnote-49)
* The national health authority in Mexico has seized more than 1.4 million gallons of adulterated alcohol since 2010 — ranging from small local establishments to large hotels and other entertainment areas, according to a 2017 report by the country's Federal Commission for Protection against Health Risks.[[50]](#endnote-50) As much as 36% of the alcohol consumed in the country is illegal, according to a 2017 report by Euromonitor International.[[51]](#endnote-51)

#### Peace, justice and strong institutions (SDG 16)

According to SDG target 16.4, countries are expected to “combat all forms of organized crime.”

The involvement of organized criminal groups (OCGs) in illicit trade in alcohol has been well documented in a number of countries. While illicit trade in alcohol can be carried out by single individuals, there is clear evidence suggesting that large-scale production and smuggling operations are carried out by organized criminal groups. In the UK, in particular, OCGs 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.”[[52]](#endnote-52)

SDG target 16.5 also demands that countries “substantially reduce corruption and bribery in all their forms.” The available literature links illicit trade in all its forms – including alcohol – to corruption in law enforcement, customs and tax collection.[[53]](#endnote-53)

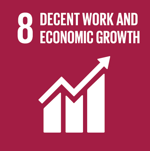
Consequently, illicit trade in alcohol can provide a significant and steady source of income that perpetuates the viability of the criminal groups, subsidizes further criminal activity, and drives corruption in public institutions and local societies.

**Conclusions**

Illicit trade in alcohol undermines the UN Sustainable Development Goals (SDGs) in many ways:

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| Hazardous ingredients and unsanitary production expose consumers to health risks. | GDP, jobs and tax revenues are drained from economies and limit public investment, with relatively more severe impacts on developing countries. | Illegal profits underwrite organized crime, subsidize wider criminal activity and breed corruption and social unrest. |  |

## SDGs and illicit trade in the agri-food industry

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Illicit trade in the agri-food sector comes in many forms and manifestations, ranging from economically-motivated adulteration (EMA), commonly referred to as food fraud, to large scale smuggling of agriculture products.

Food fraud, i.e., the intentional sale of sub-standard food products or ingredients for the purpose of economic gain, impacts many different types of foods, including meat; dairy products; fish and seafood; fruit juices; oils; honey; spices and wine. Common types of food fraud include substitution or dilution of an authentic ingredient with a cheaper product (such as replacing extra virgin olive oil with a cheaper oil), flavor or color enhancement using illicit or unapproved substances (such as unapproved dyes), and substitution of one species with another (such as the European horse meat scandal).[[54]](#endnote-54)

Smuggling of agriculture products is driven by a disparity between the price of a good at its origin and its (prohibited) destination. This practice generates significant revenue losses to governments from the circumvention of taxes, tariffs and import/export duties, but smuggled agricultural goods can also have severe knock-on effects on the economy as a whole. The availability of cheap smuggled goods creates unfair competition, constraining domestic markets and local producers. Smuggled agricultural goods can also introduce invasive species, disease-carrying pathogens or contaminants that threaten the health of humans and pose unique risks to the agricultural economy and the trade status of a country’s exports.[[55]](#endnote-55) For example, an outbreak of Exotic Newcastle Disease among poultry in California in 2003 is thought to have spread from smuggled game birds from Mexico. As a result, California poultry farmers incurred eradication costs of approximately $168 million. [[56]](#endnote-56)

Organized crime plays a major role in the illicit trade of agri-food products. In Italy, organized criminal groups are now involved in the commodity value chain of many Italian food products exported abroad.[[57]](#endnote-57) The Italian “Agromafia” has been known to copy fine olive oil, wine and cheese, fueling an explosion of food crime in Italy.[[58]](#endnote-58) This activity has spread to the US market where 75-80% of the “extra virgin” olive oil imported from Italy is not extra virgin.[[59]](#endnote-59) Economic activities in the Italian agri-food sector managed by criminal organizations were estimated to be worth some 15.4 billion euros in 2014 alone.[[60]](#endnote-60)

Illicit trade in agri-food has wide-ranging effects on countries and regions in all corners of the world:

* In ASEAN, the regulatory and compliance environment has struggled to keep pace with the growing agri-food industry in the region. The high import and export tariffs in countries such as Indonesia and Thailand encourage the smuggling of certain foods and liquors.[[61]](#endnote-61) Further restrictions on import/distribution licensing arrangements, onerous product regulatory standards, and a lack of uniform food security and trade standards result in trade barriers, which create opportunity for criminals to engage in illegal agri-food trade.[[62]](#endnote-62)
* Sugar smuggling in South-East Asia not only deprives governments of revenue, but also threatens local industries on which local farmers depend for their livelihoods. Confed, the largest organization of local sugarcane farmers in the Philippines, argued that continued illegal entry of cheap sugar “would ultimately gobble up the sugar industry.”[[63]](#endnote-63)
* Tea smuggling represents a major strain on Pakistan’s finances, one of the world’s largest importers and consumers of tea. Reports indicate that the illicit tea business in the country accounts for more than a third of the total market. Consequently, Unilever Pakistan Limited has reported that, “business operations and profitability of legitimate commercial importers and packers have been severely curtailed.”[[64]](#endnote-64)
* The Ivory Coast lost an estimated 125,000 tons of cocoa to smuggling in the 2017/2018 season, equivalent of 9 percent of the harvest.[[65]](#endnote-65) These losses are significant in a country where cocoa accounts for roughly one fifth of exports and where, according to the IMF, a 1 percent change in revenue from exports of the beans can lead to a 0.63 percent shift in government spending.[[66]](#endnote-66)

### Impact of Illegal agri-food trade on achieving the UN Sustainable Development Goals

Agriculture constitutes a large portion of most economies’ GDP and contributes towards eradicating hunger and poverty. Together with food processing, food retail and food services, agriculture provides nearly 44 million jobs in the EU and annual exports worth over EUR 120 billion.[[67]](#endnote-67) Agriculture, food, and related industries contributed $992 billion to U.S. gross domestic product (GDP) in 2015, and 11 percent of total U.S. employment.[[68]](#endnote-68) ASEAN countries have witnessed phenomenal growth in agricultural production in recent years. Exports rose from around US$6 billion in 1990 to approximately US$50 billion in 2014.[[69]](#endnote-69) This has led to an increase in incomes in the agri-industry across the region and considerable economic growth.

Consequently, strong, legal agricultural trade is crucial to achieving several SDGs, especially in developing and emerging economies. This, in turn, results in better quality of life,[[70]](#endnote-70) drives broader trade, investment and industrialization, and thereby creates more jobs, security and overall economic prosperity.[[71]](#endnote-71)

Conversely, illegal agri-food trade globally undermines a well-functioning farm and global food trade systems, destabilizes rural economies and jeopardizes production and delivery of fair, safe and sustainable food supplies.[[72]](#endnote-72)

The following sections illustrate the significant impact that the illegal agri-food industry has on the achievement of five of the SDGs:

* SDG 1 (no poverty);
* SDG 2 (zero hunger);
* SDG 3 (good health and well-being);
* SDG 8 (decent work and economic growth); and
* SDG 12 (responsible consumption and production).

#### Promoting good health (SDG 3) and ending hunger (SDG 2) and poverty (SDGs 1)

The prevalence of illegal agri-foods and its negative impacts on food sustainability are significant risks to some of the most urgent goals. Access to healthy and affordable food are prerequisites for addressing global poverty and hunger. Illicit trade in agri-food contributes directly to food insecurity, poverty and malnutrition by contaminating, counterfeiting and adulterating food products.

Fake infant milk powder, vegetable oil made of recycled oil unfit for human consumption and formalin—an embalming agent—used to keep meat and fish free from flies and seemingly fresh for days, are all examples of regular staples that can contribute to malnutrition.[[73]](#endnote-73) This in turn leads to stunted development and shorter, less productive lives, preventing escape from poverty and furthering the vicious cycle of hunger and poverty.

Developing countries and low-income communities, which either lack strong food-safety control systems or cannot afford to buy safer, but more expensive, products, are particularly vulnerable to this illegal activity.[[74]](#endnote-74)

Illegal agri-food – driven by rapid population growth and increased demand – also may exacerbate unsustainable food production patterns, as is the case when illegally sourced seafood is fraudulently introduced into legitimate supply chains or when tropical forests not meant for agricultural land are illegally converted to palm oil plantations.

Unsustainable food production patterns are responsible for declining arable land, degradation of key ecosystems, natural resource depletion, as well as a deteriorating soil, water and biotic resource base on which all food production depends.[[75]](#endnote-75)

While most incidents of illegal agri-food are associated with sustainability, environmental and economic losses, there are a number of instances where food fraud has had disastrous effects on health and well-being (SDG 3). Perhaps the most recognized case occurred in China in 2008 when Melamine-adulterated milk was used in the manufacture of infant formula, leading to six deaths and the hospitalization of more than 50,000 Chinese infants. Other examples include the selling of salmonella-contaminated peanuts in the US, causing a nationwide salmonella outbreak that sickened hundreds and killed 9 people.[[76]](#endnote-76) In Spain in 1981, nearly 700 people died and over 20,000 were made ill after consuming rapeseed oil intended for industrial purposes but sold on street markets as “olive oil.”[[77]](#endnote-77)

Although difficult to measure, indirect health effects of food fraud also may be severe. For example, long term exposure to low-level toxic contaminants or the continuous omission of active or beneficial ingredients, such as preservatives or vitamins can have harmful health consequences. Likewise, health risks emerge when unlabeled or adulterated ingredients cause consumer allergy, intolerance, or sensitivity. Finally, food fraud also deceives consumers into unknowingly consuming ingredients that would otherwise be avoided for religious or ethical reasons.[[78]](#endnote-78)

#### Decent work and sustainable economic growth (SDG 8)

Fake, substandard, smuggled and illegal agri-foods distort and destabilize food markets and cost the global food industry an estimated US$30-40 billion each year, undermining economic growth, costing jobs and hurting entire sectors of the economy.[[79]](#endnote-79) For a legitimate company, this form of illegal competition reduces sales and employment opportunities and disincentivizes investment. This is especially the case for small-scale food producers and those in developing countries.

For example, sugar smuggling by illegal cartels in Kenya has drained tens of thousands of jobs[[80]](#endnote-80) and strips the government of legitimate tax revenues.[[81]](#endnote-81) In Asia, Cambodia’s rice industry is on the “brink of collapse” due to unfair competition from cheaper illegal rice imports.[[82]](#endnote-82) Elsewhere in the region, China and the Philippines report economic damage from illegal rice trade.[[83]](#endnote-83)

In cases where illegal agri-food trade results in injury or harm, a corporation’s economic sustainability can be severely damaged. A study commissioned by the Grocery Manufacturers Association estimates that one adulteration incident can cost a company between 2-15% of yearly revenues.[[84]](#endnote-84)

Incidents of food fraud in a market also may have long-term effects on consumer trust. Once confidence in the food system is lost, even the mere rumor of food fraud can have far reaching damages. Unsubstantiated rumors of plastic rice on the markets in Africa[[85]](#endnote-85) and plastic seaweed in China[[86]](#endnote-86) circulating on social media platforms have stoked fear in consumers, damaging legitimate producers, who have seen their profits drop, and created a distrust of foreign imports.

#### Ensure sustainable consumption and production patterns (SDG 12)

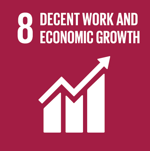
In addition to its impact on health and economic growth, illicit agri-food also has a knock-on effect on SDG 12. Consumers’ ability to make educated and eco-friendly decisions are undermined when certificates of origin are falsified, quality assurance programs hampered, claimed ingredients diluted with a cheaper product or entire species substituted. The practice of seafood mislabeling is a prime example of where food fraud strips the consumer’s ability to make informed food choices, while simultaneously threatening ocean sustainability by creating or sustaining markets for illegally sourced fish to be laundered into the legal seafood trade.[[87]](#endnote-87)

### Conclusions

Illicit trade in agri-foods undermines the UN Sustainable Development Goals (SDGs) in many ways:

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| Undermines robust and resilient agricultural markets that support economic development and poverty reduction. | Destabilizes food security and undermines sustainable food production and access to food. | Exposes consumers to harmful ingredients or deprives them of active beneficial ingredients. | Siphons GDP, jobs and tax revenues from national economies and introduces health risks that can be fatal to corporate brand and economic sustainability. | Deprives consumers of choice and ability to make educated and eco-friendly decisions. |

## SDGs and trade in counterfeit and pirated goods

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The global trade in counterfeit and pirated goods accounts for the largest economic value of all forms of illicit trade, robbing the legitimate economy of jobs and economic growth, while at the same time putting consumers at risk to unsafe, inferior and ineffective products.[[88]](#endnote-88)

The Organization for Economic Co-operation and Development (OECD) reports that counterfeiting and piracy in international trade alone has grown from US$250 billion annually in 2007[[89]](#endnote-89) to more than US$461 billion in 2013. This is an increase of more than 80% in less than 5 years and represents more than 2.5% of world trade and as much as 5% of all goods imported into the European Union.[[90]](#endnote-90) Moreover, the growth of illicit digital trade of copyrighted works continues to grow; the value of digital piracy in music, movies and software in 2015 alone was estimated to be more than $200 billion.[[91]](#endnote-91)

Examples include:

* High-end luxury goods such as counterfeit watches, perfumes and leather goods;
* Personal electronic products, such as mobile phones, personal computers, TVs and gaming devices;
* Agricultural or industrial products including pesticides, agrochemicals, fertilizers, oils and industrial lubricants, ball bearings, circuit breakers, and smoke detectors;
* Household and personal care products such as laundry detergents, toys, cosmetics and shampoos;
* Pharmaceuticals and medical devices, such as antibiotics, radiotherapy machines and dental drills, vehicle spare parts, including brakes, batteries and airbags, alcohol and cigarettes; and
* Copyright piracy of movies, television, music, live performances, computer software and video games.

The ubiquity and high profits from counterfeit and pirated goods, coupled with low risks of detection, prosecution and penalties, generates significant illicit proceeds for criminal enterprises. As a result, money laundering is frequently an indispensable element of IPR crime, with illicit proceeds also be used to finance other crimes, such as drug and human trafficking.[[92]](#endnote-92) As noted by EUROPOL, “Trading in counterfeit products is a relatively low risk activity, involving minimal penalties whilst providing high profits, and will increasingly attract [organized crime groups] previously involved in other crime areas.”[[93]](#endnote-93)

Effective IPR enforcement is crucial in safeguarding the health of consumers, maximizing the value of human creativity and innovation, promoting economic development and deploying modern technologies.

### Impact of illicit trade in counterfeit and pirated goods on achieving the UN Sustainable Development Goals

The illicit production and trafficking of counterfeit and pirated goods is an accelerating global phenomenon that represents a direct threat to the achievement of the SDGs. Counterfeit and pirated goods are produced outside the normal channels of commerce with little regard to environment, health and safety regulations and standards – and as a result pose risks to long term economic growth, consumer health, livelihoods and the environment.

Consequently, it is not surprising that the illicit trade in counterfeit and pirated goods negatively impacts eight of the seventeen SDGs:

* SDG 1 (no poverty);
* SDG 3 (good health and well-being);
* SDG 4 (quality education);
* SDG 6 (clean water and sanitation);
* SDG 8 (decent work and economic growth);
* SDG 9 (industry, innovation and infrastructure);
* SDG 12 (responsible consumption and production);
* SDG 15 (life on land).

*Note: The health, environment and economic risks associated with falsified and substandard pharmaceutical products and counterfeit pesticides are covered in more detail under their own headings.*

#### Health and safety (SDG 3)

The prevalence of counterfeit goods poses direct and indirect health and safety risks to consumers and the broader society, thereby undermining SDG 3 (health and well-being for all).

Companies abide by regulations and invest heavily in innovation and product development, with brands serving as guarantees of quality and safety. In contrast, counterfeiters make their money by sidestepping product safety regulations, environmental controls and labor laws; or by free-riding on the research and development (R&D) of others. With no legal line of accountability, counterfeiters have no incentive to invest in quality or safety. As a result, counterfeit goods are often of sub-standard quality or of unknown and sometimes dubious chemical/material composition.[[94]](#endnote-94) Examples include counterfeit batteries and cigarette lighters that explode, toys with paint toxicity, baby formula that provides no nourishment, and counterfeit electronic goods that may cause serious injury and even death through explosions, unregulated heat burns and electric shock. Semi-conductors, for example, are integral parts of modern electronics. But counterfeit versions have been found in everything from automated external defibrillators, potentially leading to the electrocution of a patient, to airport landing lights and microcontrollers intended for use in brake systems in high-speed trains in Europe.[[95]](#endnote-95)

Even relatively innocuous goods, such as apparel and handbags, can pose health risks for consumers when counterfeiters use prohibited carcinogenic dyes have been used to color fabrics or when children’s clothing has been made from highly flammable fabrics that burn quickly and intensively.[[96]](#endnote-96) Counterfeit cosmetics and personal care products containing dangerous levels of lead, mercury, cyanide and other carcinogens can cause severe allergic reactions and pose a particular threat to pregnant women and their unborn babies.[[97]](#endnote-97)

Counterfeits also pose risks to specific SDG 3 health targets. For example:

* SDG target 3.6 aims to halve the number of global deaths and injuries from road traffic accidents. However, the rapid growth[[98]](#endnote-98) in counterfeit auto parts, including substandard, malfunctioning airbags[[99]](#endnote-99) and brake pads[[100]](#endnote-100) poses real dangers to drivers.[[101]](#endnote-101)
* SDG target 3.9 aims to reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination. However, counterfeit inputs, such as industrial chemicals and electronic components have been found to include harmful toxic substances such as lead, mercury, cadmium, and arsenic.

#### Economic growth and development (SDG 8)

The ubiquity of counterfeit and pirated goods has a significant negative impact on economic growth and job creation. According to the OECD, international trade in fake goods was more than US$461 billion in 2013, with as much as 5% of all goods imported into the European Union being counterfeit.[[102]](#endnote-102) That figure excludes digital piracy, which in 2015 alone was estimated to be more than $200 billion.[[103]](#endnote-103) For governments and business, the losses include illegal acquisition of IP, reduced returns to innovators and creators and lost tax revenue, and the diversion of public and private resources from more productive ends. These costs create a significant drag on the growth of knowledge-based economies, but also result in significant job losses.

A series of studies published by the EUIPO in 2016 found that counterfeiting and piracy costs the EU economy over €83 billion and 790,000 jobs every year, as well as €14.3 billion in government revenue (income tax and value added tax).[[104]](#endnote-104) A 2017 global study by Frontier Economics estimates that the wider social and economic impacts on displaced economic activity, investment, public fiscal losses and criminal enforcement from counterfeit and piracy could reach as much as $1.9 trillion by 2022, draining $4.2 trillion from the global economy and put 5.4 million legitimate jobs at risk.[[105]](#endnote-105)

Counterfeiting also presents challenges to UN objectives for fair and legal employment. Fakes are often produced under unethical, unregulated and poor working conditions, utilizing child labor in the production and coerced migrants smuggled into a country selling counterfeit goods.[[106]](#endnote-106) So in addition to displacing legitimate jobs and economic activity,[[107]](#endnote-107) counterfeit goods can create opportunities for labor exploitation, thereby hampering efforts to achieve SDG target 8.8 (protect labor rights and promote safe and secure working environments for all workers).

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| **The importance of trademarks and copyright**  Trademarks support the development of products and services that consumers want and depend on, creating new jobs and entire industries. Trademark-intensive industries alone contributed 23.7 million jobs in the USA in 2014 (up from 22.6 million in 2010) and 20.8% of employment and 34% of GDP in the EU.[[108]](#endnote-108) A 2017 study by INTA estimated that Trademark-Intensive Industries in Indonesia, Malaysia, the Philippines, Singapore, and Thailand contributed from 27 to 60% of each country’s share of exports and between 17 and 50% of GDP.[[109]](#endnote-109) Similar studies in Latin America have found comparable correlations between trademark-intensive industries and gross domestic product (GDP), employment and productivity.[[110]](#endnote-110)  Copyright serves as a critical tool to finance cultural production, including educational materials, musical and artistic works, such as poetry, novels, movies, songs, and computer software. As noted by WIPO Director General Francis Gurry, “Copyright is the central mechanism in the creation of the market for creative works - if you like, the dominant interface between the world of creativity and the economy. It is the means by which the market exchange of creative works occurs. As such, it is also the principal means for the financing of the production of creative works, enabling the creator to control the commercial exploitation of her works, thereby returning economic value to the creator and ensuring livelihood for the individual creator, and economic sustainability for the creative industries.”[[111]](#endnote-111) |

#### SDG 9 (industry, innovation and infrastructure)

Today’s knowledge-based economy is driven by innovation. In addition to stimulating economic growth, innovation has the potential to address some of the world’s most intractable challenges, including climate change, decent employment, food security, combating infectious diseases, and ensuring access to affordable and clean energy.

To the extent that counterfeiting and piracy disincentivize innovation (SDG 9), they necessarily generate a negative ripple effect on several other SDGs that depend on innovation, such as SDG1 (End poverty in all its forms everywhere), SDG 4 (Ensure inclusive and equitable quality education), and SDG 8 (Promote inclusive and sustainable economic growth, employment and decent work for all).

A critical factor in maximizing the value and benefits of innovation is a clear legal and regulatory system that recognizes the importance of the underlying intellectual property rights (IPRs). Accordingly, the role that IPR protection and enforcement has in facilitating innovation and achieving the 2030 sustainable development agenda has received broad international recognition, including by the Group of 20 (G-20) heads of State.[[112]](#endnote-112)

In contrast, IP theft in the form of trademark counterfeiting and copyright piracy, stifles economic growth and job creation by discouraging innovation, reducing incentives for companies to invest in R&D and inhibits creative industries from realizing their full potential.

#### Environmental impacts (SDGs 6, 12, and 15)

The environmental cost of counterfeit and pirated goods is generated cradle to grave. From their manufacturing to their final destruction and disposal, counterfeit and pirated goods pose an ongoing threat to the environment and the various SDGs dedicated to protecting it.

The importance of proper waste management and sustainable consumption and production patterns are enshrined in SDG 6 (clean water and sanitation) and SDG 12 (responsible consumption and production). Specifically, SDG targets 6.3 (reduce water pollution by eliminating dumping and minimizing release of hazardous chemicals and materials), 12.4 (achieve the environmentally sound management of chemicals and all wastes throughout their life cycle) and 12.5 (substantially reduce waste generation through prevention, reduction, recycling and reuse) call for a life cycle approach to sustainable production, consumption and disposal.

Legitimate business has responded to the challenge by increasingly focusing on environmental sustainability as a core part of their business model with companies making substantial investments in waste management and adopting zero-waste strategies.

In contrast, counterfeiters have no incentive to keep toxic chemicals out of their products and manufacture their illicit goods with little regard to environmental standards and regulations. Examples of violations include the unlawful disposal of hazardous toxic substances into air and water[[113]](#endnote-113) and the use of harmful chemicals and other contaminants in clothing.[[114]](#endnote-114) Counterfeit electronics created from e-waste introduce potentially hazardous waste streams into water ways, creating health and environmental hazards for the workers and the community at large.[[115]](#endnote-115)

The disposal and destruction of IP infringing goods is also fraught with environmental risks and pose additional problems over conventional waste due to their often sub-standard quality and/or dubious/unknown composition. Even when managed by competent authorities, the storage, destruction, disposal or recycling of IP infringing goods in an environmentally safe way often may be a complex, expensive and difficult task (e.g., high heat incineration or encapsulation for hazardous materials).[[116]](#endnote-116) In some cases, the cost of destruction can exceed the cost of the goods production.[[117]](#endnote-117) The situation is particularly acute in countries where technical capacity, appropriate storage and waste facilities, and regulatory control are limited and funds stretched.

Common methods of destruction, such as open burning and disposal into open landfills or improper recycling may result in the release of toxic fumes, such as persistent organic pollutants (POPs) and other toxins linked to serious adverse effects on human health (SDG 3).[[118]](#endnote-118) Improper storage and destruction also may pollute soils, groundwater or watercourses, with potentially devastating and long-term effects on soil fertility, clean water supplies, marine life and other natural resources vital for human wellbeing (SDGs 6, 15).[[119]](#endnote-119)

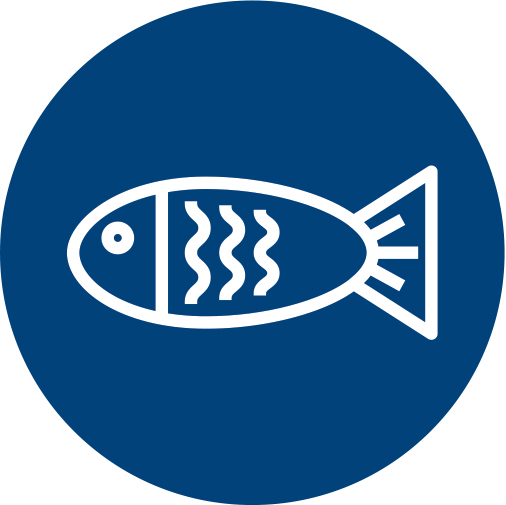
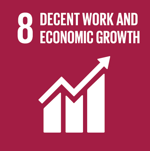
The health and environmental impacts from the inappropriate destruction or disposal of these goods may thus prove to be as much or even more damaging than the effect of the IP infringing goods themselves.

### Conclusions

Illicit trade in counterfeiting and piracy undermine the UN Sustainable Development Goals (SDGs) in many ways:

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| Stifles economic growth prevents legal job growth and drains over US$700 billion from the global economy. | Consumers are exposed to harmful ingredients and faulty products that pose clear health and safety risks. | Pirating copyrights risks investment and production of cultural and educational materials. | Irresponsible disposal of hazardous and toxic substances into air and water jeopardizes groundwater and watercourse. | Drains GDP, displaces legitimate jobs and economic activity; creates opportunities for labor exploitation and unsafe working conditions. |
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| IP theft deters and discourages innovation, reducing incentives for companies to invest in R&D and inhibits creative industries from realizing their full potential. | Drives production under unethical, unregulated and poor working conditions, utilizing child labor in its production and coerced migrants smuggled into a country selling counterfeit goods. | Generates environmental hazards to soil and land from unregulated manufacturing and improper waste disposal. |  |

## SDGs and illegal, unreported, and unregulated fishing

** **

Illegal, Unreported, and Unregulated (IUU) Fishing is an example of illicit trade in a global natural resource with significant economic, societal and environmental costs.

IUU fishing thus far primarily has been viewed by governments as a lack of compliance with technical regulations. As a result, IUU fishing is in many locations only lightly criminalized or treated as a minor infraction under national fishery codes, with limited domestic resources assigned to monitoring and enforcement.

With respect to the SDGs, IUU fishing is far from a harmless compliance issue. Large-scale IUU fishing plunders the oceans, endangers food security, weakens economies, depletes fish stocks, and undermines conservation and management efforts. It deprives coastal fishing communities of income, undermines the rule of law, deprives states of revenues and distorts free and fair competition for law-abiding commercial fishermen. For these reasons, attention to and response strategies are evolving beyond national regulatory review to include international multi-stakeholder efforts, including The World Wildlife Fund (WWF) and the Seafood Alliance for Legality and Traceability (SALT).

While the pervasiveness of IUU ﬁshing is well-documented, the true extent of the threat is difficult to measure, given its clandestine nature and lack of data. Nonetheless, global losses to IUU fishing have been estimated at US$15–36 billion, representing 14 - 33% of the global marine capture value.[[120]](#endnote-120) In West African waters – which face some of the highest levels of IUU fishing in the world – IUU fishing may account for as much as 37% of all fish caught.[[121]](#endnote-121) These estimations illustrate a systematic, high-volume scale of IUU fishing globally.

For legitimate actors within the fisheries sector, IUU fishing presents significant unfair competition and depletes fish stocks. The introduction of IUU products in legitimate channels, as well as illegal activities associated with IUU practices, such as money laundering, tax evasion, and slave labor, can undermine consumer confidence in sustainable seafood products, generate reputational damage for actors abiding by rules and regulations but have IUU products appear in their supply chain or whose consumers associate the practices of illegitimate actors with all actors in the sector, loss of license and/or market share, and even pose significant liabilities for companies. [[122]](#endnote-122) Collectively, these problems can lead to real disincentives for sustainably managed fisheries and hinder efforts to protect populations of the most vulnerable and valuable species. The prevalence of IUU fishing and the associated mislabeling of seafood products also means that consumers are deceived into consuming endangered species caught in protected areas.

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| **What is IUU 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.[[123]](#endnote-123) IUU consists of three distinct but related elements:   * **Illegal fishing** refers to activities conducted by national or foreign vessels in waters under the jurisdiction of a State, without the permission of that State, or in contravention of its laws and regulations. It also may include violations of the laws, regulations, and conservation and management measures adopted by a fishing vessel’s flag State; and violations of national laws or international obligations, including the obligations of cooperating states to relevant regional fisheries management organizations (RFMOs).   In practical terms, illegal fishing can include: fishing without a license; fishing in a closed area or marine protected area (MPA); under-reporting catches; keeping undersized fish; using prohibited fishing gear types; illegally transshipping fish; or violating any other law.   * **Unreported fishing** refers to fishing activities which have not been reported, or have been misreported, to the relevant national authority in contravention of national laws and regulations; or undertaken in the area of competence of a relevant RFMO which have not been reported or have been misreported, in contravention of the reporting procedures of that organization.   Unreported fishing includes cases where fishers may only report a portion of a catch to fall within quotas, may fail to report the harvest of non-targeted species, or simply avoid reporting all together. Examples include keeping two fishing logs: an official log for the inspectors and a ‘confidential’ log for the owner. Fishers also may falsely record vessel locations, or offload fish at ports with low regulatory and inspections standards, so called ‘ports of convenience.’[[124]](#endnote-124)   * **Unregulated fishing** is a broader term, which refers to fishing activities conducted by vessels without nationality, or those flying the flag of a country not party to a RFMO within the jurisdiction of that RFMO, or more generally fishing in a manner which contravenes the regulations of the RFMO. This also includes fishing in areas or for fish where there are no applicable conservation or management measures, and where such activities are conducted in a manner inconsistent with State responsibilities for the conservation of living marine resources under international law. |

It is important to note that some forms of IUU fishing, particularly unregulated fishing, may not explicitly break existing laws. Fishing vessels may fish in areas or for fish stocks where there are no applicable conservation or management measure in place[[125]](#endnote-125), thereby deliberately circumventing and violating the *spirit* of the law, but not operating in direct contravention of them. Similarly, fishing at the edge of marine protected areas may not be illegal, but nonetheless can have a serious impact on the protected areas’ ecosystems.[[126]](#endnote-126)

### Impact of Illegal Unreported and Unregulated Fishing on achieving the UN Sustainable Development Goals

The fisheries sector is one of the most important industries for global food security, poverty alleviation and human prosperity. Fish and fish products are a vital source of protein for millions of people, including some of the world’s poorest and most vulnerable. Over 10% of the global population depends directly or indirectly on the fishery industry for their livelihoods.[[127]](#endnote-127)  Sustainable fishing practices are therefore a prerequisite for achieving the objectives of the SDGs to end poverty, protect the planet and ensure prosperity for everyone by 2030.

In contrast, IUU fishing threatens the sustainability of global fisheries resources by contributing to their overexploitation, impeding their recovery and undermining the viability of legal fishing operations.[[128]](#endnote-128)

The state of the world’s marine fish stocks has seen a worrisome decline over the past three decades. In 1974, 90% of global marine fish stocks were fished within biologically sustainable levels. By 2015, the percentage of stocks fished at biologically unsustainable levels had increased from 10% to 33%, with 60% of marine fish stocks maximally sustainably fished and 7% underfished.[[129]](#endnote-129) Figures at a regional scale can be even more alarming, with the Mediterranean and Black Sea, the Southeast Pacific and the Southwest Atlantic all having close to 60% unsustainably fished populations.[[130]](#endnote-130) IUU fishing has rapidly accrued and intensified overfishing, representing severe threats to sustainable social and economic development, with developing countries that lack the capacity and resources for effective monitoring, control, and surveillance of their exclusive economic zones (EEZ) at particular risk.[[131]](#endnote-131)

In 2014, the United Nations General Assembly declared IUU fishing as one of the biggest threats to sustaining fish stocks globally.[[132]](#endnote-132) If IUU ﬁshing is allowed to continue unabated, it will be almost impossible for the international community to achieve many of the SDGs.

The following sections explain how IUU fishing negatively impacts achievement of five of the SDGs:

* 1 (no poverty);
* 2 (zero hunger);
* 8 (decent work and economic growth);
* 11 (Sustainable cities and communities); and
* 14 (life below water).

#### Food security and poverty alleviation (SDGs 1 and 2)

Fisheries contribute significantly to global food security, with around 3.2 billion people receiving almost 20% of their average per capita intake of animal protein from fish in 2015.[[133]](#endnote-133) For developing countries, most notably densely populated and small-island developing states, fish constitutes at least 50% of total animal protein intake in states such as Sri Lanka, Indonesia, Cambodia and Bangladesh.[[134]](#endnote-134)

IUU fishing serves as both consequence and cause of poverty. Large scale IUU fishing can lead to the collapse of local fisheries, resulting in a decrease in income and threatening livelihoods, particularly in the most vulnerable regions of the world. At the same time, poverty can serve as a driver of IUU fishing when fishers operating at very narrow profit margins are tempted to violate fishing quotas and regulations. This results in a circle of diminishing fish stocks, which in turn exacerbate poverty and augment food insecurity and drive fishermen further into illegal fishing.[[135]](#endnote-135)

#### Decent work and economic growth (SDG 8)

The importance of a sustainable fishing sector for attaining SDG 8, which seeks to ensure sustainable economic growth, cannot be overstated. Fish and fish products represents some of the most traded food items in the world, with around 35 % of global fish production entering international trade in 2016. Developing countries have been among the primary beneficiaries from this trade, with growth rate of exports increasing faster than from developed countries during the past 40 years.[[136]](#endnote-136) The UN’s Food and Agriculture Organization (FAO) has found that marine and coastal resources represent 5% of the world’s GDP, and over 10% of the global population depends directly or indirectly on the fishery industry for their livelihoods.[[137]](#endnote-137) Women play an important role in this workforce and represent about 14% of the people employed in the primary fisheries and aquaculture sector or around 50% when including the secondary sector. [[138]](#endnote-138)

By depleting fish stocks, IUU fishing threatens economic and employment opportunities for communities that depend on fishing for their livelihoods. It is estimated that West Africa alone could be losing US$1.3 billion per year to IUU fishing and related processes.[[139]](#endnote-139)

In addition, IUU fishing poses a threat to several of SDG 8’s targets, including 8.5 (full and productive employment), 8.7 (eradicate forced labor, end modern slavery and human trafficking), 8.8 (protect labor rights and promote safe and secure working environments) and 8.9 (promote sustainable tourism).

For those that are employed by IUU fishing vessels, the situation can be equally dire. Vessels engaged in IUU fishing are often old and unsafe and must make riskier trips further out to sea.[[140]](#endnote-140) These circumstances make the hiring of qualified crew more difficult and expensive, leading unscrupulous operators to resort to forced labor and other human rights violations–practices which are aided by the isolation of the workplace, strong competition within the industry, and the ready supply of vulnerable workers.[[141]](#endnote-141)

Fishers, often migrant workers, are vulnerable to being deceived and coerced by brokers and recruitment agencies and forced to work on board vessels under the threat of force or by means of debt bondage.[[142]](#endnote-142) A large-scale survey of fishers in 2012 found that almost 20 percent “reported working against their will with the menace of a penalty preventing them from leaving.”[[143]](#endnote-143) If deemed flight risks, laborers are imprisoned in spaces barely big enough to lie down, stuck until the next boat forces them back to sea.[[144]](#endnote-144) AP reporting found that captains have forced workers to drink unclean water and work 20- to 22-hour shifts without any days off. Laborers also experience physical abuse, with AP’s interviews revealing that” almost all said they were kicked, whipped with toxic stingray tails or otherwise beaten if they complained or tried to rest [and] were paid little or nothing.”[[145]](#endnote-145)

#### Sustainable cities and communities (SDG 11)

IUU fishing is threatening some of the world's most iconic natural marine sites, thereby preventing the achievement of SDG target 11.4 (strengthen efforts to protect and safeguard the world’s cultural and natural heritage). Illegal and unsustainable fishing practices are a significant threat to the 29 UNESCO marine sites around the world.[[146]](#endnote-146) Unsustainable fishing has been identified as one of the most pervasive threats to coral reefs, with over 55% of the world’s reefs threatened by overfishing and/or destructive fishing, and as much as 95% in some regions in Southeast Asia.[[147]](#endnote-147)

IUU fishing can have wide-ranging consequences for the increasingly important ecotourism industry by depleting the very wildlife upon which it depends.[[148]](#endnote-148)

The Belize Barrier Reef system was designated a World Heritage site in 1996 and provides 15% of Belize GDP,[[149]](#endnote-149) with income generated through reef tourism and fisheries supporting more than half of the entire population.[[150]](#endnote-150) The reef system and the economy that it supports are under constant threat from IUU fishing.[[151]](#endnote-151)

Sustainable management of marine sites can be net positive for tourism and society as a whole. For example, the illegal harvesting of a shark fin can yield US$108 on the black market, but the annual value of an individual reef shark to the shark-diving tourism industry in Palau can be as much as US$1.9 million.[[152]](#endnote-152)

#### Sustainable oceans (SDG 14)

The global recognition of the significance of the ocean and the resources that lie beneath is underlined by the adoption of the ambitious SDG 14 (life below water), which emphasizes the need to conserve the ocean, seas and marine resources as critical contributors to the achievement of the SDGs. SDG target 14.4 (end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices by 2020) specifically recognizes that IUU fishing practices frustrate global efforts to ensure a sustainable marine environment and that IUU fishing has a debilitating impact on the sustainability of both coastal and offshore fisheries and the livelihoods of those living and working in fisheries-dependent economies.

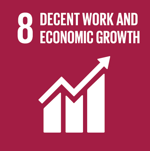
Similarly, SDG target 14.6 calls for the elimination of certain subsidies that contribute to IUU fishing. Subsidies to the fisheries sector, roughly US$35 billion annually,[[153]](#endnote-153) can exacerbate unsustainable ﬁshing practices by artificially increasing fishing capacity – which in turn promotes overfishing and other destructive fishing practices. By some estimates these subsidies have helped produce a worldwide fishing fleet that is up to 250 percent larger than is economically and environmentally sustainable, driving overexploitation of already depleted resources.[[154]](#endnote-154)

### Conclusions

Illegal fishing undermines the UN Sustainable Development Goals (SDGs) in many ways:

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| Drains the economic viability of legal fishing industries and destabilizes the livelihoods of those living and working in fisheries-dependent economies. | Jeopardizes global fish supplies as a vital component of global food security. | Economic instabilities threaten the industry’s long-run contributions to GDP and employment; IUU fishing is an ugly source of forced labor and other human rights abuses. | Threatens 29 UNESCO marine sites around the world and strips revenues from the marine-tourism industry. | Hinders efforts to protect populations of the most vulnerable and valuable species and undermines ocean and marine sustainability. |

## SDGs and illicit trade in forestry products

** **

The estimated annual retail value of illegal logging is US$52–157 billion, making it the most profitable natural resource crime, with knock-on effects of reducing government tax revenue on sales or exports.[[155]](#endnote-155) Illegal logging and illicit trade in timber undermines sustainable economic growth, economic development and environmental conservation. It not only puts the livelihoods of forest-dependent communities at risk, but also undermines legitimate commerce within the forestry sector by distorting timber markets and reducing profitability.

The forest industry needs a stable business environment to make the long-term investments necessary to ensure the supply of raw material. Illegal logging and trade in illicit timber undermines incentives for the private sector to invest in sustainable forest management, as the presence of illegal timber distorts global markets and affects the competitiveness of legitimate producers who operate in compliance with national and international environmental and trade rules.

Despite being increasingly recognized as a significant environmental threat on a global scale, forestry crime has not generated much official scrutiny or media coverage compared to trafficking in drugs, humans or weapons. Notably, it is only in the past decade that illegal logging and trade in illegal timber has been recognized as a global criminal problem by international organizations and law enforcement agencies.[[156]](#endnote-156)

Over the past decade, consumer awareness also is helping. The public increasingly has become aware of environmental and sustainability risks and are demonstrating greater concern in the origins of the products they buy and the processes that go into making them. This trend is increasingly being reflected in business operations, where companies seek to ensure that the wood and paper-based products they sell are legal, responsibly sourced, and sustainable – thereby demonstrating corporate social responsibility and commitment to addressing negative impacts on climate change arising from deforestation.

Combatting illegal logging and illicit trade in timber is consequently a business imperative and an environmental imperative for responsible corporations operating in the forest sector.

### What is illegal logging and illicit timber trade?

The International Union of Forest Research Organizations (IUFRO) broadly defines it as including “all practices related to the harvesting, processing and trading of timber inconsistent with national and sub-national law.”[[157]](#endnote-157) This definition also may be extended to include violations of ratified international treaties and conventions.

Such practices include, for instance, operating under a license that has been obtained illegally (e.g., involving corruption or collusion), logging in protected areas, exceeding permitted harvest quotas, processing logs without the necessary licenses, tax evasion and exporting products without paying export duties.” The definition also encompasses “related trade” when timber-based products are exported or imported in contravention to import or export laws.

### Impact of illicit trade in forestry products on achieving the UN Sustainable Development Goals

Illicit trade in the forestry sector directly impacts several of the UN Sustainable Development Goals (SDGs). Forests cover 30% of the Earth’s surface. In addition to providing food security and shelter, forests are essential to combating climate change, protecting biodiversity, supporting economic development, future employment opportunities, and the livelihoods of 1.6 billion people – many of whom live in developing countries.[[158]](#endnote-158) [[159]](#endnote-159)

The illegal forestry industry impacts achievement of six SDGs:

* SDG 1 (no poverty);
* SDG 8 (decent work and economic growth);
* SDG 11 (sustainable cities and communities);
* SDG 12 (responsible consumption and production);
* SDG 13 (climate action); and
* SDG 15 (life on land).

#### Social and economic development (SDGs 1 and 8)

A well-functioning and sustainably managed forest sector plays an important part in the surrounding local economy, providing an anchor for economic development, employment opportunities and public sector tax revenues, thereby contributing to SDG 1 (end poverty) and SDG 8 (productive employment and decent work for all). Forest products also supply more than 20 percent of the household income for local families in developing countries, thereby supporting rural livelihoods and poverty reduction.[[160]](#endnote-160)

These benefits are, however, threatened by serious and increasingly sophisticated illegal logging and illicit timber trade. According to UNEP and Interpol, forestry crimes such as illegal logging generate an estimated US$51–152 billion in illicit revenues that are unaccounted for and untaxed in the legitimate economy. This compares to the total annual global official development assistance (ODA) commitments of about US$135 billion,[[161]](#endnote-161) and highlights the magnitude of financial losses that could be ascribed more beneficially. Moreover, lost government tax revenues of between US$9–26 billion per year[[162]](#endnote-162) deprives developing economies of billions of dollars in public resources and squandered development opportunities, while yielding a massive windfall of profits to criminals and corrupt government officials.[[163]](#endnote-163)

Because of the fleeting, unsustainable nature of illegal logging, good and reliable employment opportunities are precluded, undermining SDG 8 (decent work and economic growth) in four ways:

* The forestry sector employs some 13.7 million formal workers,[[164]](#endnote-164) but according to the World Bank, an additional 41 million people work informally in the timber sector.[[165]](#endnote-165) In the EU alone, forest-based industries provide nearly 3.5 million jobs. Small- and medium- forest enterprises (SMFEs) are the primary source of forest sector employment in most developing countries, accounting for 80–90 % of formal and informal employment in all forest enterprises.[[166]](#endnote-166) Therefore, legalizing the sizeable illicit portion of the logging business has the potential to create millions of legitimate employment opportunities.
* Unsustainable forest practices leave large areas deforested, barren and unable to renew harvests for decades. Consequently, local employment opportunities are lost forever.
* Forest work is one of the most hazardous industrial sectors globally. While the companies engaged in sustainable and legal timber trade regularly implement minimum supplier sustainability requirements on human and labor rights, occupational health and safety, environmental commitments, and responsible business practices,[[167]](#endnote-167) illicit actors show little regard to secure and safe employment opportunities, as identified by SDG target 8.8 (protect labor rights and promote safe and secure working environment for all workers).
* Illegal logging and illicit timber trade also threatens jobs within sectors of the tourism industry, valued at 5–10% of national economies, by damaging protected forests and animal habitats worldwide.[[168]](#endnote-168)

#### Environmental impact (SDGs 11, 13 and 15)

Forests play an important role in climate systems by mitigating climate change through C02 absorption and enabling communities to adapt and better withstand potential climate shocks. Forests absorb 2.6 billion tons of carbon dioxide each year, about one-third of the carbon dioxide released from the burning of fossil fuels.[[169]](#endnote-169) Consequently, forests are crucial in achieving SDG 13 (Take urgent action to combat climate change and its impacts). In a testament to the importance of forests to mitigating climate change, many countries have included them in their Intended Nationally Determined Contributions (INDCs) submitted under the UN Framework Convention on Climate Change, with several of these INDCs specifying sustainable forest management practices.[[170]](#endnote-170)

Deforestation and forest degradation – often driven by illegal logging and the lucrative illicit timber trade – disrupt and undermine nations’ efforts to address climate change and sustainable forest governance. Deforestation and forest degradation is responsible for more than 17% of all man-made greenhouse gas emissions — more than the world’s entire transport sector.[[171]](#endnote-171) The impact of illegal logging on carbon emissions is particularly profound in tropical regions. Tropical deforestation accounts for 10–15% of global emissions, and nearly 50–90% of the logging is illegal in major tropical countries.[[172]](#endnote-172)

Illegal logging also represents a significant threat to SDG target 11.4 (protect and safeguard the world’s cultural and natural heritage). For example, Madagascar’s Rainforests of the Atsinanana acquired UNESCO ‘in danger’ status in 2010, only three years after being listed as a World Heritage site, due to illegal logging of ebony and rosewood.[[173]](#endnote-173)

The importance of sustainable forest management practices is also identified by SDG target 12.2 (sustainable management and efficient use of natural resources) and target 15.2 in particular, which calls for promoting the implementation of sustainable management of all types of forests, halting deforestation and restoring degraded forests.

Forests supply vital services, such as buffering effects of extreme weather such as floods, drought and landslides. Forests also protect the environment by preserving the soil, minimizing erosion, purifying water, protecting aquifers, improving air quality, absorbing carbon, mitigating climate change, and preserving biodiversity.

However, forests can only play those roles if they are managed well and fairly.

#### Sustainability and consumer awareness on sustainable choices (SDG 12)

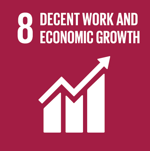
The infiltration of illegally sourced timber into the legal wood trade also impedes the achievement of SDG targets 12.6 (encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability) and 12.8 (ensure the public have the relevant information and awareness for sustainable development in harmony with nature). Efforts to educate consumers and raise public awareness on how illegal timber harms development, sustainability, livelihoods and economic growth are undercut by sophisticated criminals who shift goods between the illegal and the legal worlds to give the timber a legal appearance. This allows illegally sourced timber to enter the legitimate supply chain as “clean” wood, circumventing national legislations aimed at prohibiting both the import and processing of illegally logged timber, and maximizing the criminals’ profits. This process, facilitated by large-scale corruption and crime networks, ensures that both companies and consumers – despite conscious efforts to purchase sustainably – are largely unaware of the illegal origins of the goods.

### Conclusions

Illicit trade in forestry products undermines the UN Sustainable Development Goals (SDGs) in many ways:

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| Robs the surrounding local economy of its anchor for economic development, employment and tax revenues that could be used for public investment. | Displaces legal employment opportunities, up to 80% in small- and medium- forest enterprises (SMFEs) in developing countries; threatens tourism jobs by damaging protected forests and animal habitats. | Endangers precious rainforests and other World Heritage sites; threatens tourism jobs by damaging protected forests and animal habitats. | Denies consumers of the relevant information to make choices based on awareness for sustainable development in harmony with nature. | | Exacerbates deforestation and forest degradation and precludes massive CO2 adsorption critical to fighting climate change. |
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| Undermines sustainable management of forests to preserve soil, minimize erosion, purify water, protect aquifers, improve air quality, preserve biodiversity and protect wildlife habitats. |  |  | |  |

## SDGs and illicit trade in pesticides

Pesticides are an integral part of conventional agriculture. Insecticides, herbicides, and fungicides help maximize crop quantity and quality by reducing the pests and diseases that cause damage.[[174]](#endnote-174)

Given the ubiquity of pesticides – over 5.5 billion pounds used annually[[175]](#endnote-175) – it is perhaps not surprising that counterfeit and illegally traded versions are finding their way into markets worldwide.[[176]](#endnote-176) Illegal pesticides include: obsolete or banned unauthorized pesticides; untested, unregulated, or unlicensed pesticides; unauthorized imports; counterfeit and fake pesticides; relabeled or mislabeled pesticides; and refilled pesticides containers.[[177]](#endnote-177) The profitability in illegal pesticides in all forms makes it one of the top ten most lucrative organized crime businesses, with criminal networks hiding their operations in complex global supply chains including repackaging, remarking and changing labels.[[178]](#endnote-178) These illegal pesticides are untested for safety and may contain unapproved and unknown impurities, uncertified chemicals, illegal formulations, incorrect proportions of active ingredients and have fraudulent or nonexistent guidelines for use.

The proliferation of illicit pesticides presents a range of threats to human health and safety and environmental systems that support human, animal, plant and aquatic life. Illegal pesticides also generate a number of serious economic and social impacts and undermine the influence of legitimate pesticides on sustainable development, global stability and national food security.[[179]](#endnote-179) Other concerns include significant threats and challenges to the agricultural markets they are designed to protect, and to legitimate producers and distributors that face unfair competition from low-cost substandard product. Perhaps most importantly, farmers face potentially irreversible damage to their crops and livelihoods.[[180]](#endnote-180)

### Impact of illegal pesticides on achieving the UN Sustainable Development Goals

A legal agrochemical, such as a pesticide, presents inherent safety challenges throughout its product cycle, which has necessitated regulatory controls to ensure that the chemical is dealt with (from development to disposal) safely. Illegal pesticides compound these inherent risks through the introduction of mislabeled, unregulated, and unidentified substances and chemicals to workers and consumers, and into crops, food for human or animal consumption and broader ecosystems.[[181]](#endnote-181) The mitigation and eventual elimination of illegal pesticides is thus crucial to support sustainable agriculture without adverse impact on human health, land, water, biodiversity and climate change.

The illegal pesticides industry impacts achievement of eight SDGs:

* SDG 1 (no poverty);
* SDG 2 (zero hunger);
* SDG 3 (good health and well-being);
* SDG 6 (clean water and sanitation);
* SDG 8 (decent work and economic growth);
* SDG 12 (responsible consumption and production);
* SDG 14 (life below water); and
* SDG 15 (life on land).

#### Poverty, job creation and economic development (SDGs 1 and 8)

According to the World Bank, growth in agriculture is at least twice as effective in reducing poverty as growth in any other sector.[[182]](#endnote-182) There are multiple ways through which an increase in agricultural productivity can reduce poverty, including higher incomes and associated multiplier effects stimulating employment in the rural and urban non-farm sectors.[[183]](#endnote-183) Agriculture provides a livelihood for many of the most poor and vulnerable people and therefore drives economic development.

The positive impact of pesticides in supporting agriculture productivity is inextricably linked to poverty eradication and economic growth, development and job creation. Agricultural use is estimated to account for 86%[[184]](#endnote-184) of pesticide sales worldwide, with the global market for pesticides projected to reach US$81.13 billion by 2019.[[185]](#endnote-185)

There are a number of economic implications from the growth in illicit pesticides. For governments, it means lost revenues from uncollected taxes. This, in turn, exacerbates budget deficits and lowers available government spending towards health care, infrastructure and job creation. Governments also end up spending more on enforcement-related activities to clear markets of illicit products, further burdening their limited resources.[[186]](#endnote-186)

For individual farmers, the use of counterfeit pesticides is a double loss: money is wasted on pesticides that do not work and crop yields are reduced or even lost.[[187]](#endnote-187)

To illustrate the socio-economic losses to Europe, the EUIPO estimated that the knock-on effects due to illegal pesticides in the EU marketplace account for 11,700 lost jobs, €238 million drained from tax revenues and a staggering €1.3 billion annual burden on EU business.[[188]](#endnote-188)

On a macro level, illicit pesticides can devastate markets for particular products by eroding public confidence in established producers, agricultural producing countries, and perceptions of food safety, and can cause reputational damage to established food producers, products, and brands.[[189]](#endnote-189) One of the more well-known examples involved detection of isofenphos-methyl in pepper samples exported from Spain to Germany, Finland, Netherlands, UK and Russia. In the wake of the revelation, Spanish pepper exports dropped almost 20% and prices decreased by 60%. An investigation linked the banned chemical to illicit pesticides used in the pepper fields and led to production stoppages and the seizure of 2,200 liters of mixed illicit pesticides, with criminal charges and fines for the implicated farmers.[[190]](#endnote-190)

#### Food stability and sustainable agriculture (SDGs 2)

Ending hunger, achieving food security, improving nutrition, and promoting sustainable agriculture (SDG 2) is closely connected to continued and productive application of pesticides. Consequently, it is imperative to protect markets from illegal pesticides which jeopardize the production of safe, stable and nutritious food supply.

Food security and hunger top the list of global challenges. The United Nations Food and Agriculture Organization (FAO) estimates that 793 million people are undernourished and lack food security.[[191]](#endnote-191) Moreover, there is a looming challenge to feed the rapidly growing global population, which will require 69% more food calories in 2050 than it did in 2006.[[192]](#endnote-192)

Increasing farmers’ access to legitimate pesticides is one of the most fundamental ways to increase agricultural productivity and output. Used properly, pesticides protect and increase agricultural yields and the number of times a crop can be grown on the same land each year. This is particularly important in countries that face food shortages.[[193]](#endnote-193)

Illegal pesticides in contrast are untested, contain an imbalance of chemicals, and lack active ingredients, which can cause low yields, crop failure, or result in high levels of pesticide residues on food products. Chemically imbalanced illegal pesticides also may render agricultural land infertile due to soil degradation and contamination of ground water. India, for example, loses about 10 million tons (or about 4 percent) of food output a year due to fake pesticides.[[194]](#endnote-194)

#### Delivering good health (SDG 3)

The use of illegal pesticides presents significant risks to human health (SDG 3) in the forms of food toxicity, exposure to unsafe chemicals, and safety hazards associated with transportation and handling.

* Undeclared active ingredients in counterfeit and illegal pesticides can leave unacceptable levels of toxic residues on crops, rendering them unfit for human (or animal) consumption.
* Exposure to illegal pesticides containing chemicals which are banned, obsolete or restricted – such as persistent organic pollutants (POPs) and other highly hazardous pesticides (HHPs) – can have severe impacts on agricultural and farm workers, which pose significant long-term health, food and environmental risks.[[195]](#endnote-195)
* Falsely declared, counterfeit and illegal products ignore the international labelling requirements designed to ensure safety during transport. Thus, highly toxic, flammable or otherwise hazardous substances are transported without appropriate regard to safety regulations and the safety of handlers and bystanders.[[196]](#endnote-196)
* The sustained use of illegal pesticides that are ineffective in protecting crops undermine the crop yields and the nutritional value of the harvests which undermine the goal to improve health (SDG 3).

#### Water, environment and climate change (SDGs 6, 12, 14, and 15)

Pesticides are intrinsically toxic, and if not handled properly may end up in harming rather than helping the environment. For this reason, governments implement strong regulations to monitor and regulate their use. Illegal pesticides, however, are often sold without proper use directions or warnings on the labels or include false claims like "harmless to human beings and animals" and "safe to use".[[197]](#endnote-197)Illegal pesticides also may include banned and highly persistent organic pollutants (POPs), such as DDT, leading to widespread environmental contamination and harmful accumulation in humans and wildlife. In some cases, farmers may even be drawn to banned pesticides, as they are cheaper and more powerful.[[198]](#endnote-198)

Run-off and releases of unregulated pesticides end up in water bodies including waterways, rivers, seas and oceans, which harms marine life. The long-term usage of illegal pesticides on agricultural land can cause resistance in pests, reduce soil fertility or render the land infertile, and contaminate ground water (SDGs 6, 14, 15). The widespread use of illegal pesticides in Cameron Highlands in Malaysia has tainted rivers in the Bertam Valley, Kuala Terla and the district’s tap water with toxic chemicals, including Endosulfan, a globally banned pesticide.[[199]](#endnote-199)

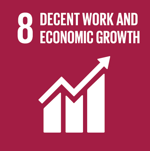
In addition, criminals dealing in illegal pesticides facilitate the pollution of fresh water supplies by illegally disposing harmful chemicals, thereby circumventing all safeguards and mechanisms instilled by governments. This results in serious long-term consequences on the ecosystem.[[200]](#endnote-200)

### Conclusions

Illicit trade in pesticides products undermines the UN Sustainable Development Goals (SDGs) in many ways:

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| Precludes agricultural productivity that can reduce poverty, create jobs and drive higher incomes and productivity. | Limits increases in agricultural yields for local consumption or export, keeping millions of people undernourished and lacking food security. | Presents significant risks to human health via food toxicity, exposure to unsafe chemicals, and safety hazards associated with transportation and handling. | Jeopardizes water quality and the protection of water-related ecosystems from contamination. | Drains farmer profitability through spending on ineffective pesticides, causing reductions in crop yields and knock-on effects on GDP, jobs and government tax revenues. |
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| Prevents environmentally sound, life-cycle management of chemicals and wastes. | Exacerbates the challenge to prevent harmful run-off and releases of toxic chemicals in water bodies. | Chemically imbalanced illegal pesticides can render agricultural land infertile due to soil degradation, increase pest resistance and contaminate ground water. |  |  |

## SDGs and illicit trade in petroleum products

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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.[[201]](#endnote-201) Every year, it is estimated that $133 billion of fuels are illegally stolen, adulterated, or defrauded from legitimate petroleum companies,[[202]](#endnote-202) with equally significant losses to governments through subsidy abuse and tax evasion.[[203]](#endnote-203) Several well-documented examples paint an alarming picture of how pervasive oil and fuel theft is:

* The African Development Bank estimates the value of illicit oil trade in Africa is worth nearly US$100 billion a year.[[204]](#endnote-204)
* Mexico is possibly the hardest-hit by fuel theft, losing 20,000 barrels per day.[[205]](#endnote-205) The National Citizens’ Observatory, a think tank in Mexico, estimates the national black market for fuel is worth US$2 – 4 billion a year.[[206]](#endnote-206)
* Estimates on the value of the illegal fuel trade in Southeast Asia ranges from US$2–10 billion a year, or around 3% of Southeast Asia’s total fuel consumption.[[207]](#endnote-207)
* The EU loses more than $4 billion yearly in tax revenue to fuel fraud.[[208]](#endnote-208)

Improperly taxed and untaxed fuel is a major concern for governments. For example, international oil companies operating in Bulgaria estimate that between 20 – 40% of oil products sold were illegal and circumvented payment of excise duties and VAT.[[209]](#endnote-209) In Northern Ireland, diesel tax fraud was estimated at £80 million, or 13% of total taxable revenue from mineral oils.[[210]](#endnote-210)

In addition to tax fraud, illicit petroleum exacts a toll on corporate profitability, increased expenses for security, and significant environmental impacts. Moreover, this illegal activity intersects with other transnational crimes and helps fund terrorist and other criminal undertakings.[[211]](#endnote-211)

Despite its severe negative effects on governments, business, consumers and the environment, the global problem of oil and fuel theft has so far been largely unchecked and remains mostly hidden from international attention.

While the most immediate effects may be in the country or countries where fuel is being stolen or smuggled, the ripple effects cross the global marketplace include undercutting economic development, hastening environmental degradation and facilitating illegal global financial flows, money laundering, organized criminal activity and terrorism. Fighting illicit trade in petroleum is therefore a global responsibility, as well as a prerequisite for sustainable development and achievement of the UN SDGs.

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| **How illicit trade in petroleum happens**  **Tapping Pipelines**: By installing illicit taps, thieves can divert oil or other refined products from pipelines. Pemex, the Mexican state oil company, lost about US$1.6 billion in 2016 from fuel stolen from over 6,800 pipeline taps across the country.[[212]](#endnote-212)  **Illegal Bunkering**: Stolen crude oil or refined products are siphoned off to small barges and waiting boats, which then either are refined locally or sent to sea to deliver the product to larger vessels/tankers. Bunkering tactics includes “hot” or “pressure” tapping while the pipeline is still in operation, or “cold bunkering,” where a pipeline is blown up and thieves install a permanent underground tap leading to a storage facility while the line is out of operation.[[213]](#endnote-213)  **Illegal Ship-to-Ship Transfers**: This involves unloading stolen or smuggled fuel to another vessel with the aim of avoiding detection and passing off the illegal fuel as legitimate imports.[[214]](#endnote-214)  **Armed Robbery (Piracy)**: The use of the threat of violence to command a truck or ship and steal its cargo. A major driver behind piracy in the Gulf of Guinea has been the theft of oil. Pirates will hijack a tanker ship, disable its tracking devices, and transfer its cargo to smaller vessels for distribution on the black market.[[215]](#endnote-215)  **Bribery and corruption**:  The petroleum sector is particularly susceptible to integrity violations due to the high complexity of activities, the close interaction between the public and private sectors, and the vast sums of money generated. By some estimates, more than 57% of all fraud cases in the oil and gas sector relates to corruption schemes.[[216]](#endnote-216)  **Smuggling and Laundering**: Smugglers exploit price differentials between countries by smuggling cheaper, untaxed or heavily subsidized fuel into higher priced jurisdictions, enabling a profitable and less traceable sale. Higher-priced, nonsubsidized, and taxed fuels also may be diluted with smuggled lower-priced or subsidized fuels.  **Adulteration**: Adulteration is the process where unwanted lower-cost additives are mixed with higher-cost fuels and then sold at full price. The process of adding kerosene to gasoline or diesel is an easy, difficult to detect way to increase profit margins. This practice of degrading the quality of fuel results in lower fuel efficiencies, engine damage and increased spending on vehicle maintenance. |

### Impact of illicit trade in petroleum on achieving the UN Sustainable Development Goals

Access to affordable, reliable and modern energy services is central to fulfilling almost all of the SDGs, namely eradicating poverty through advancements in health, education, safe water; improving agricultural productivity; and combating climate change.[[217]](#endnote-217) While a global shift towards renewable energy sources is underway, hydrocarbons are expected to remain the dominant source of energy in the coming decades.[[218]](#endnote-218)  Consequently, governments have a vested interest in preventing oil and fuel theft and ensuring the efficient and effective use of the world’s petroleum resources.

Oil and fuel production can support and contribute to the achievement of the SDGs by providing access to affordable energy; opportunities for decent employment; business and skills development; increased fiscal revenues; and improved infrastructure. Conversely, illicit trade of oil and fuel represents a significant threat to local and regional prosperity and to global stability and security.

The illicit trade in petroleum impacts achievement of eight SDGs:

* SDG 3 (good health and well-being);
* SDG 6 (clean water and sanitation);
* SDG 7 (affordable and clean energy);
* SDG 8 (decent work and economic growth);
* SDG 9 (industry, innovation and infrastructure)
* SDG 14 (life below water);
* SDG 15 (life on land); and
* SDG 17 (partnership for the goals).

#### Environment and climate change (SDGs 3, 6, 7, 14 and 15)

While the legal petroleum industry invests significantly in environmental stewardship, criminals show little regard to the environment when stealing oil and fuel. Illegal tapping, bunkering and ship transfers carry a higher probability for oil spills and blown pipelines, and can cause significant damage to soil fertility, clean water supplies, marine life and other natural resources vital for human wellbeing (SDGs 6, 14 and 15). Illegal refining and third-party interference are the main sources of pollution in the Niger Delta.[[219]](#endnote-219) Oil pollution has degraded both land and water surfaces in the region, thereby rendering once flourishing fishing and farming occupations impracticable.[[220]](#endnote-220) Moreover, illegal fuel-laundering plants often indiscriminately dump waste products,[[221]](#endnote-221) causing additional environmental damage and secondary impacts on human health, livelihoods, food and fuel stocks.

Fuel fraud, smuggling, and adulteration also may be counterproductive to environmental policies. For example, higher aggregate fuel costs spur reductions in driving, improve substitution of more efficient vehicles and encourage transition to cleaner alternative fuels (SDG 7); additionally, other negative externalities such as air pollution can be reduced (SDG 3).[[222]](#endnote-222) Fuel tax revenues also may be used to offset the cost other environmental programs, such as reducing taxes on renewable energy or to subsidize public transportation.

Fuel theft and adulteration also have secondary effects, such as producing higher levels of harmful auto emissions – including known carcinogens like polycyclic aromatic hydrocarbons (PAH) – and reduced fuel efficiency resulting in increased pollution.[[223]](#endnote-223) This is particularly true when the adulterant used is not meant for combustion.[[224]](#endnote-224)

Finally, adulterated products or products refined illegally also may not meet environmental specifications, such as phasing out lead, with further negative consequences for health, pollution and greenhouse gas emissions.

#### Infrastructure and energy access (SDG 7 and 9)

Excise taxes on transportation fuels are a significant source of revenue to help fund infrastructure investments (SDG 9). For example, the US gas tax is the single most important source of transportation funding for the US federal government, raising 85% of the revenue owing into the nation’s transportation spending account.[[225]](#endnote-225) Other examples include Costa Rica’s fuel tax, which allocates 29% of revenues to the National Road Council.[[226]](#endnote-226) In short, every tax dollar stolen by smuggling and fuel fraud is a dollar not spent on constructing new infrastructure or upgrading aging infrastructure systems.

More directly, persistent pipeline sabotage, from illegal taps to blowing up pipelines, damages existing energy infrastructure, while also discouraging much needed private investments in new infrastructure.[[227]](#endnote-227)

Illicit petroleum trade also has indirect effect on energy access. The diversion of subsidized kerosene for use as an adulterant in costlier, nonsubsidized diesel and gasoline products robs the most vulnerable citizens of their access to kerosene as cooking fuel and consequently undermines government subsidy programs aiming to deliver access to affordable, reliable, sustainable and modern energy (SDG 7). Kerosene subsidies are targeted at households in the poorest nations, who spend as much as 10% of their incomes on modern energy, with most of this going to cover basic necessities, such as cooking or boiling water for drinking.[[228]](#endnote-228) When kerosene is misused as an ingredient of fuel fraud in the transport sector, people are deprived of their everyday cooking and lighting fuel.

#### Economic growth and job creation (SDGs 8 and 17)

The petroleum sector is a multi-billion-dollar industry, featuring six of the world’s top ten largest companies.[[229]](#endnote-229) Globally, the sector employs nearly 6 million, and generates another 60 million indirect jobs.[[230]](#endnote-230) The sector is therefore a key contributor to GDP, government revenue and domestic employment:

* Earnings from the oil industry accounted for about 32% of Mexico’s total government revenues in 2016,[[231]](#endnote-231) and the state-controlled oil company Pemex employs more than 120,000.[[232]](#endnote-232)
* Venezuela’s oil revenues account for about 95% of export earnings, with the oil and gas sector contributing 25% of overall GDP.[[233]](#endnote-233)
* The petroleum sector in Saudi Arabia accounts for roughly 87% of revenues, 42% of GDP, and 90% of export earnings.[[234]](#endnote-234)
* 185,000 people are directly or indirectly employed in the Norwegian petroleum industry and petroleum-related industries in 2016, which represents roughly 7% of total employment in Norway.[[235]](#endnote-235)
* In Africa, fuel taxes account for a significant share of total tax revenues: 4% in South Africa, 5-7% in Kenya and Tanzania, 12% in Mozambique and 16% in Uganda.[[236]](#endnote-236)

Given its impact on economic growth and source of employment, the petroleum sector drives economic growth, employment, and quality of life and is thus an important if not intrinsic component in achieving SDG 8 to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Illicit trade in petroleum and petroleum products works directly against sustainable development generally and specifically deprives governments of tax income, robs the energy industry of billions of dollars in revenues, causes the loss of legitimate jobs, and results in significant reputational damage.

Oil and fuel theft has severe effects on tax revenue —especially in resource-rich, developing countries where petroleum industry royalties and tax payments are used to stimulate economic growth and finance development. This illegal activity and the associated money laundering and illicit financial flows it generates severely undermines the effectiveness of countries’ tax systems and their ability to generate the domestic resources needed to promote inclusive economic growth (SDG target 17.1). Developing countries may even experience more severe fiscal impacts from fuel theft, diversion and smuggling compared to developed nations, since fuel costs often represent a greater portion of their GDP. Nigeria is Africa’s largest oil producer, but it is also a victim of massive fuel theft,[[237]](#endnote-237) with as much as 30% of all refined products stolen and smuggled into neighboring states.[[238]](#endnote-238) Given that oil contributes two-thirds of government revenues and around 35% of GDP,[[239]](#endnote-239) these losses are a significant dislocation for the Nigerian economy. Compounding the economic losses, the Nigerian government spends US$1.5 billion per month combatting oil theft and diversion.[[240]](#endnote-240)

Nigeria is by no means alone. Mexico forfeits more than US$1 billion in annual revenue from fuel theft[[241]](#endnote-241) – a serious loss of income as oil revenues customarily subsidize roughly a third of the government’s budget[[242]](#endnote-242) while the Philippines loses some US$750 million annually in tax revenue due to adulterated fuel products entering its supply chain from smuggling.[[243]](#endnote-243) In addition to direct fiscal losses, fuel theft, smuggling and diversion siphons resources away from important social programs aimed at providing essential services for citizens, while at the same time perpetuating extensive secondary effects, such as disrupted supply chains and loss of confidence in national governance systems.

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| **How to stop fuel theft?**  To combat fuel theft and diversion, industry and governments have developed comprehensive fuel-marking programs, using advanced technology molecular markers and sophisticated management systems that provide timely and actionable intelligence, allowing governments to identify stolen or diverted fuel, mitigate tax evasion and subsidy abuse, and stop revenue drains. Modern and comprehensive fuel-marking programs allow governments, with the support from both state-owned and independent oil companies, to analyze each stage of the supply chain, beginning with the country’s refineries or fuel depots and extending to the eventual retail sale of fuel products. Successful implementation of fuel-marking programs can have a profound impact on fuel theft and increased government revenues.  The Ghana National Petroleum Authority (NPA) introduced a Petroleum Product Marking Scheme (PPMS) in 2015 to combat the adulteration of fuel in the country. The objective of the marking scheme was to enable the NPA to monitor the quality of petroleum products, as well as recover fiscal tax revenue from the sale of these products. Early test results indicated that mere awareness of the PPMS served as an effective deterrent against fuel fraud within the country. The use of an aggressive public awareness campaign, coupled with the enrollment of the major oil companies, helped reduce the percentage of retail sites with significant fuel product dilution from 34% to 7% in the first 6 months of the program.[[244]](#endnote-244)  Two years into the program, the percentage of violations decreased to 2%, saving the nation GHS 72 million and a more than 100% return on investment.[[245]](#endnote-245)  Prior to introducing its fuel marking program in 2014, the Serbian government estimated that it lost €40 million annually to fuel adulteration. Industry experts estimated the actual loss to be as high as €100 million, with losses incurred by the major oil companies active in the country considered to be of a similar scale.[[246]](#endnote-246) The introduction of the program had an immediate impact: oil companies saw sales volume increase by 18% for diesel and 14% for gasoline,[[247]](#endnote-247) and only five months into the program, profit growth of EUR 34 million had been generated for the budget compared to the previous year.[[248]](#endnote-248) The trend has continued, with sustained reductions in illegal fuels and an year-on-year increases in the collection of excise duties  - up 13% in 2016.[[249]](#endnote-249) In summary, the Serbian program provides annual return on investment by a magnitude of 6–7.[[250]](#endnote-250) |

### Conclusions

Illicit trade in petroleum products undermines the UN Sustainable Development Goals (SDGs) in many ways:

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| Adulterated fuels produce higher levels of  harmful auto emissions  and known carcinogens  that impact air quality and climate. | Risk of water contamination from oil spills and blown pipelines jeopardize clean water supplies. | | Diversion of kerosene for use as an adulterant robs vulnerable citizens of access to modern energy. | | Siphons GDP, jobs and tax revenues from national economies, with relatively more severe impacts on developing countries. | | Robs governments of excise taxes revenues to help fund infrastructure investments. | |
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| Illegal tapping, bunkering and ship transfers carry a higher probability for spills that harm life below water. | | Risk of contamination from oil spills and blown pipelines accelerates degradation of ecosystems and jeopardizes biodiversity. | |  | |  | |

## SDGs and illicit trade in pharmaceuticals

The global trade in illicit pharmaceuticals extends beyond the generally well-known problem of “fakes” to include substandard, falsified, unregistered and unlicensed drugs as well as their theft, fraud, illicit diversion, smuggling and trafficking.

The problem of illicit pharmaceuticals applies not only to highly-publicized ‘lifestyle’ medicines, such as for treating erectile dysfunction and weight loss, but also to ‘lifesaving’ medicines – including those used to treat malaria, cancer, heart disease and other serious illnesses.

The problem extends to generic versions of prescription drugs and increasingly to over-the-counter (OTC) medicines, and this category of illicit trade also includes fake medical devices such as contact lenses, condoms, syringes, surgical instruments, wheelchairs and radiotherapy machines – where fake or faulty version can all present considerable health and safety risks.

Illicit trade in medicines is a major threat to public health, diverts resources from already limited healthcare budgets, creates mistrust in government, and presents economic and social challenges to pharmaceutical companies operating in the sector. The World Health Organization (WHO) has thus far generated the most widely-cited statistics, reporting that the share of counterfeit medicines on the market ranges from over 10% of total sales in developing countries to as little as 1% in developed countries.[[251]](#endnote-251) In terms of value, illicit trade in pharmaceuticals has been estimated at US$75 – 200 billion annually.[[252]](#endnote-252) Interpol reports that falsified medical products could account for as much as 30% of the market in some countries in Asia, Africa and Latin America.[[253]](#endnote-253) In the transitional economies of former Soviet Republics there are estimates of above 20% of market value.[[254]](#endnote-254)

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| **Definition of illicit trade in pharmaceuticals**  It is important to understand that the problem of illicit trade in pharmaceuticals extends beyond the protection of intellectual property rights (IPR). The WHO has, at the Seventieth World Health Assembly on 29 May 2017, provided the following categories to help elucidate the problem:   * **Substandard**: Also called “out of specification,” these 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 (NRRA) 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.   As such, when the term “counterfeit” is used, this refers to medicines that are (a) deliberately produced with substandard quality; (b) fraudulently labeled with respect to their identity/origin; or (c) otherwise tainted, adulterated, or made ineffective or harmful. Fundamentally, counterfeit medicines are neither regulated or quality controlled and therefore should be expected to be inferior as they move outside the safety of established, regulated supply chains. |

### Impact of the trade in illicit pharmaceuticals on achieving the UN Sustainable Development Goals

The global trade in illicit pharmaceuticals undermines achievement of several of the SDGs, but none more so than depriving individuals of good health and well-being (SDG 3). As highlighted by the WHO, “*the rise in substandard and falsified products on all markets, are hampering efforts to ensure health products’ quality, efficacy and safety.*”[[255]](#endnote-255) Moreover, an expenditure on an ineffective medicine is a wasted allocation of household income, which hinders progress away from poverty (SDG 1) for families where medicines and healthcare can account for a significant share of household spending or when medicines are paid for out-of-pocket.[[256]](#endnote-256)

The illicit trade in pharmaceuticals impacts achievement of five SDGs:

* SDG 3 (good health and well-being);
* SDG 5 (gender equality);
* SDG 9 (industry, innovation and infrastructure); and
* SDG 12 (responsible consumption and production).

#### Promote health and well-being (SDG 3)

The fact that good health underpins every development issue is clearly embodied in SDG target 3.8: *“Achieve universal health coverage, including financial risk protection, access to quality essential health care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.”*

However, the proliferation of falsified or substandard pharmaceuticals present formidable obstacles to good health when consumers and patients ingest spurious drugs with little to no medicinal value, frequently resulting in therapeutic failure. The severity of the associated health risk can vary greatly, ranging from inconvenience to fatality.

Substandard, unregistered and falsified medicines present significant health risks because they may:

* contain the wrong level of active ingredient – too little, none at all or even too much;
* contain an active and or harmful ingredient intended for a different purpose;
* fail to meet quality standards or regulatory specifications; and/or
* have not undergone evaluation or approval by regulatory authorities.

In all these scenarios, the person taking the product is putting their health at risk—and this is perhaps most troubling in cases such as when fake or substandard anti-malarial medicines fail to save lives. Estimates show that between 72,000 and 169,000 children may be dying from pneumonia every year after receiving bad drugs, and that fake anti-malaria medication might be responsible for an additional 116,000 deaths.[[257]](#endnote-257)

Falsified, low-quality medicines also have a worrisome impact on viral resistance – an issue of growing global concern. Many substandard medicines contain a lower amount of the correct active ingredient, which can fail to properly kill bacteria, viruses or parasites. This is happening with some of the world’s biggest killers, such as tuberculosis and malaria, where multi-resistant strains are becoming serious global public health threat: it is estimated that by 2050, 10 million lives a year and a cumulative US$100 trillion of economic output are at risk due to the rise of drug-resistant infections.[[258]](#endnote-258)

The problem of illicit pharmaceuticals also impairs the marketplace for genuine products and endangers existing drug supplies by luring consumers and health providers to purchase cheap fakes instead of genuine medicine. The wasted resources are significant, especially in poor countries where medicines can rank second only to food as the largest household expenses and the burden of additional treatment can impose significant hardships on families.[[259]](#endnote-259)

As noted by the OECD,“A significant body of work confirms that counterfeit pharmaceuticals are increasingly prevalent and pose a serious and growing threat to public health, especially in developing countries. While counterfeit drugs are a less visible barrier to affordable access to medicines, they are perhaps a more insidious threat to public health than high drug prices will ever be.”[[260]](#endnote-260)

#### End poverty and support women’s health (SDGs 1, 3 and 5)

The SDGs recognize the significant link between good health and poverty reduction. In particular, investment in women’s health can generate broader economic benefits and it is reported that societies that prioritize women’s health are likely to have better population health overall and will remain more productive for generations to come.[[261]](#endnote-261)

Of all the different initiatives available to support women’s health, few are as impactful as the access to safe and affordable contraception. As noted by Ellen Starbird, Director of Population and Reproductive Health at USAID, family planning is the “critical link” to meet each of the 17 SDGs.[[262]](#endnote-262) Access to birth control promotes economic security and productivity by freeing up women to work and leads to smaller families with parents able to devote more resources to their children’s health and education. Put another way by philanthropist Melinda Gates, contraceptives are “one of the greatest anti-poverty innovations the world has ever known.”[[263]](#endnote-263)

Progress on SDG 1 (End poverty in all its forms everywhere) and SDG target 5.6 (Ensure universal access to sexual and reproductive health and reproductive rights) are thus intrinsically linked with achieving SDG 3 (Good health and well-being). However, the presence of substandard or falsified contraceptives are a growing concern for women’s health.

* Falsified emergency contraceptives have been reported in a number of countries, including Nigeria, Ghana, Kenya, Angola, South America and the United States.[[264]](#endnote-264)
* In August 2015, the Uganda National Drug Authority notified the WHO of the seizure of falsified Postinor-2 discovered in Kampala, Uganda.[[265]](#endnote-265) A 2014 survey of emergency contraceptive pills in Peru found that 28% of the batches studied were either of substandard quality or falsified. Many pills released the active ingredient too slowly. Others had the wrong active ingredient or no active ingredient at all.[[266]](#endnote-266)

Incidents of fake contraceptives in the legitimate supply chain, even in small numbers, can lead to a loss of confidence in government programs, health care systems and non-governmental health programs. Even mere rumors of it can destroy the credibility and success of health and family planning programs, doing long lasting damage to the reputation of a country’s health system. For example, a lapse in the quality of oral contraceptives in Brazil in 1998 – resulting in unplanned pregnancies – has been attributed to a lack of public confidence in the Brazilian health care system. Despite the creation of the Brazilian drugs regulatory authority, Anvisa, in response to this crisis and other medicine quality problems, “Rumors about contraceptive quality linger in Brazil.”[[267]](#endnote-267)

#### End the AIDS epidemic (SDG 3)

SDG target 3.3 calls for ending the AIDS epidemic, as well as several other communicable diseases, by 2030. As noted by the WHO, “HIV remains one of the world’s most significant public health threats and a challenge to the achievement of the SDGs.”[[268]](#endnote-268) Unfortunately, the existence of substandard and falsified medicines and medical devices have a negative impact on both the treatment and prevention of HIV.

Falsified or substandard antiretroviral therapy presents a real and present threat to the fight against HIV/AIDS. Not only do these medications have no therapeutic value, the proliferation of fakes also may devastate international aid efforts to create public trust in modern medicine.[[269]](#endnote-269)

Access to condoms is critical to reducing exposure to HIV and meeting the UN target of fewer than 500,000 new HIV infections by 2020 – an important milestone in efforts to end the AIDS epidemic by 2030.[[270]](#endnote-270) The use of condoms in at-risk sexual relationships could prevent as many as 1.5 million HIV infections each year in sub-Saharan Africa alone.[[271]](#endnote-271)

Yet, a tsunami of low quality counterfeit condoms undermines global efforts to promote condoms as an effective measure to protect against sexually transmitted infections, including HIV, and unwanted pregnancies.

* In March 2017, more than 40,000 counterfeit condoms imported into Puerto Rico from China were seized by U.S. Customs and Border Protection (CBP), U.S. Immigration and Customs Enforcement’s (ICE) Homeland Security Investigations (HSI) and the Food and Drug Administration (FDA).[[272]](#endnote-272)
* In April 2013, Ghana faced a “major public health issue” after more than one million ‘Be Safe’ condoms supplied to the country’s health service were found to contain holes and burst easily. [[273]](#endnote-273) “*This is a huge, huge problem*,” said Faustina Fynn-Nyame, director of Marie Stopes International in Ghana, in response. “*There will be a lot of unintended pregnancies as a result of this, and that means maternal mortality and unsafe abortion. Commercial sex workers also use these products [so] the consequences could be enormous*.”[[274]](#endnote-274)

#### Support innovation and the development of new medicines (SDGs 3 and 9)

Virtually all of the important medical discoveries of the last century-and-a-half — including vaccines, antibiotics, HIV and HCV treatments, cancer and cardiovascular medicines — can be attributed to the R&D activities of the pharmaceutical industry.[[275]](#endnote-275)

The SDGs recognize the critical role of fostering innovations in medicine, including SDG 3.b, which outlines the need to “support the R&D of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries.”[[276]](#endnote-276) Similarly, SDG target 9.5 aims to “enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, particularly developing countries”[[277]](#endnote-277)

However, illicit trade in pharmaceuticals undermines investment in research and development (R&D) of new drugs and the pervasiveness of spurious drugs has a negative impact on pharmaceutical innovation and access to affordable medicine.

* Intellectual Property (IP) and the protection and enforcement of Intellectual Property Rights (IPR) play an important role as an incentive for innovation and long-term access to medicines. In the face of IP theft, incentives to invest and innovate are reduced.
* Market share and sales losses from competing with cheap counterfeits can create a situation in which pharmaceutical companies may be forced to increase prices to offset market losses to fake medicines, which means that fewer funds are available for investments in R&D.
* In some cases, entire markets can be flooded with falsified and substandard medicines. This further reduces the incentive for the private sector to make investments in the development of new drugs.[[278]](#endnote-278)

As underscored by the OECD, the impact of counterfeiting on pharmaceutical innovation, particularly for developing countries, can be significant: “Diseases endemic to regions with high levels of counterfeiting are less attractive research targets. Counterfeiting reduces the profitability of developing country markets, curbing the incentives to target research and developing funds to diseases endemic to poor countries and making it very difficult to attract foreign investment. Sadly, less than 10% of global health research expenditures are dedicated to conditions that account for more than 90% of preventable mortality, conditions that are most prevalent in developing economies.”[[279]](#endnote-279)

Combatting the spread of falsified and substandard medicines is thus a prerequisite for the development of new drugs and improving access to affordable, quality-assured medicines. This complex challenge cannot be addressed by the public sector alone and requires sustained cooperation with the private sector.

#### Sustainable waste management (SDG 12)

SDG targets 12.4, (achieve environmentally sound management of chemicals and all wastes throughout their life cycle) and 12.5 (substantially reduce waste generation) recognize the importance of ensuring sustainable consumption and production patterns, as well as safe waste management, to minimize adverse impacts on human health and the environment. While the legitimate, heavily-regulated pharmaceutical industry is required to meet environmental protection standards and reduce chemical waste and other hazardous materials in their production processes, the same does not hold true for illicit manufacturers of fake drugs who “reap the financial benefits of dirty production, taking every environmental shortcut imaginable.”[[280]](#endnote-280) Producers of illicit pharmaceuticals “disregard the impact that chemical compounds may have on the environment: disposing of toxic dyes and chemicals without regulatory oversight, as well as ignoring the treatment of wastewater streams.” [[281]](#endnote-281)

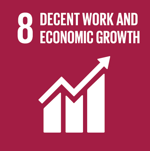
The environmental costs of falsified medicines also extend beyond the manufacturing phase. For example, in 2011, European Union Customs authorities destroyed 75% of the 115 million counterfeit items seized.[[282]](#endnote-282) The destruction process for chemicals and pharmaceuticals is costly and generates waste that is particularly difficult to dispose of in an environmentally friendly manner.[[283]](#endnote-283) Managing such enormous volumes of seizures in an environmentally safe manner requires significant resources that put financial strains on government and enforcement agencies. For low and middle-income countries, the costs as well as necessary technology to properly dispose of the seized goods, can be prohibitive, with improper storage and destruction of illicit drugs resulting in inadvertent contamination of air, water and soil.

### Conclusions

Illicit trade in pharmaceuticals undermines the UN Sustainable Development Goals (SDGs) in many ways:

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| Precludes wider access to affordable, quality-assured medicines, including those used to treat malaria, cancer and heart disease. | Undermines women’s health by limiting access to safe and reliable contraception and degrades the integrity of health and family planning programs. | Disincentivizes pharmaceutical innovation and investment in research and development (R&D) of new drugs. | Generates dirty production, environmental shortcuts, disposing of toxic dyes and chemicals without regulatory oversight, ignoring the treatment of wastewater streams | |

## SDGs and illicit trade in precious metals and gemstones

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Gemstones and precious metals are highly vulnerable to illicit trade and often underpin larger money laundering schemes, corruption and military conflict. Their low weight, high value, high durability, stable pricing and ability to be easily moved or smuggled make them especially attractive to launderers and criminal financiers.[[284]](#endnote-284) [[285]](#endnote-285) Gemstones most common to illicit trade include diamonds, emeralds, sapphires and rubies. Precious metals vulnerable to illicit trade include gold, silver, platinum and platinoid metals.

The fragmented and complex global supply chain of precious metals and stones make these goods particularly well suited as vehicles for illicit financial flows and have been linked to smuggling, drug trafficking, illicit arms trafficking, and the financing of terrorism.[[286]](#endnote-286) Precious minerals also may be used as cover for laundering illegal funds generated by other crimes, for example through false invoices covering fictitious sales of gold or diamonds.[[287]](#endnote-287)

Gold and diamonds especially are exposed to illicit trade and other forms of crime because of the great ease by which these commodities can be traded and the high value returns. The World Gold Council highlights that “a specific concern in recent years has been potential links between gold and unlawful armed conflict, such as civil wars and militia activities.”[[288]](#endnote-288) Furthermore, illegally mined or traded diamonds and gold are being used as alternative currency by criminals who use them to trade in other illicit goods such as guns and drugs;[[289]](#endnote-289) and to fund rebel groups, militias and armed gangs.[[290]](#endnote-290) There are also several reported instances of illegal mining being associated with the trafficking of explosives that are then used to commit other crimes such as robberies, bombings of facilities and conflict operations.[[291]](#endnote-291)

In short, the illicit trade in precious metals and gemstones upsets the progress made by national governments, industry and other stakeholders to ensure the sustainable management and development of the mining sector and protect the integrity of the mineral supply chain.

### Impact of the illicit trade in precious metals and gemstones on achieving the UN Sustainable Development Goals

If properly managed, the extraction and trade of precious metals and gemstones can provide a dynamic process of transformation of societies, creating opportunities to build sustainable and innovative economies, and provide significant export and tax revenue opportunities, particularly for countries facing development needs.[[292]](#endnote-292)

The mining industry in particular has the opportunity to mobilize significant human, physical, technological and financial resources to advance the SDGs, including creating jobs and bringing vital investments and infrastructure to resource-rich but nonetheless remote and underserved areas.[[293]](#endnote-293)

Conversely, poorly managed or illegal mining and the ensuing trade in illegally sourced resources can lead to environmental degradation, human rights abuse and conflict, while providing a significant source of revenue for organized crime and terrorist groups.[[294]](#endnote-294) Moreover, the presence of criminal groups in the mining and minerals sector drive corruption and negatively impact stability, governance, development and the rule of law.[[295]](#endnote-295)

The illicit trade in precious metals and gemstones impacts achievement of as many as eleven of the 17 SDGs:

* SDG 1 (no poverty);
* SDG 3 (good health and well-being);
* SDG 6 (clean water and sanitation);
* SDG 8 (decent work and economic growth);
* SDG 9 (industry, innovation and infrastructure);
* SDG 12 (responsible consumption and production);
* SDG 13 (climate action);
* SDG 14 (life below water);
* SDG 15 (life on land);
* SDG 16 (peace, justice and strong institutions); and
* SDG 17 (partnerships for the goals).

#### Economic growth and development (SDGs 1, 8,9 and 17)

Illicit trafficking in precious minerals has been characterized as a “fleecing of national assets and resources,”[[296]](#endnote-296) which adversely affects sustainable economic growth and development for resource-rich source countries and the mining industries that work there legally. Furthermore, fiscal revenues derived from taxes and license fees are lost, along with employment opportunities and the development of supporting infrastructure serving the mines and local communities.

* South Africa’s illegal trade in precious metals is estimated at US$1.3 billion a year, which is a significant drain on the country’s GDP, export and trade balances.[[297]](#endnote-297) Illegally extracted gold and platinum alone cost the legal industry 5 – 10% of its annual production, according to South Africa’s Chamber of Mines. That excludes additional security expenses and costs incurred when mines need to be shut down to address illegal activities.[[298]](#endnote-298) It is estimated that about 10% of South Africa’s gold production is stolen and smuggled out of the country each year.[[299]](#endnote-299)
* Myanmar’s US$40 billion jade trade (around half of the country’s GDP) has been called the ‘biggest natural resource heist’ in modern history, because 50 – 80 % of this wealth is smuggled out directly to the China border, bypassing the official sales and taxes completely.[[300]](#endnote-300) According to a 2015 report by Global Witness, Myanmar lost US$6.2 billion in mine site taxes in 2014.[[301]](#endnote-301)

Many low-and-middle-income countries depend heavily on mining to develop their resource endowments as a motor for driving wider national economic growth (SDG 8).[[302]](#endnote-302) Studies carried out by the International Council on Mining and Minerals have found that the income from mining can contribute as much as 25 percent of total government revenue.[[303]](#endnote-303) Widespread theft of precious metals and gemstones robs governments of their ability to strengthen domestic resource mobilization (SDG target 17.1).

Legitimate mining companies can play an important role in reducing poverty (SDG 1) through direct employment, sourcing goods and services locally and paying taxes to governments, which enable public investment in essential social and economic infrastructure. Where companies operate in remote, low-income areas, the legitimate mining industry can help alleviate poverty through job creation and skills development.

The legitimate sector also plays a significant role in investing in and operating essential infrastructure (SDG 9), such as roads that enable wider social and economic progress or infrastructure required to develop, operate and export products. This investment is particularly valuable in remote areas or in countries where there is a large infrastructure gap.[[304]](#endnote-304) In many post-conflict situations and fragile states, the mining sector has been essential in kick-starting economic and social progress. In countries such as Liberia and Mozambique, mining investment sustained peace-building efforts and encouraged respect for the rule of law.[[305]](#endnote-305) Moreover, mining investments in these two countries were integrated with development to support other local industries such as agriculture and forestry and employment opportunities.[[306]](#endnote-306) In contrast, a history of corruption and illegal mining continues to deter many foreign companies from investing in Pakistan, preventing the country from realizing the full potential of its abundant natural resources.[[307]](#endnote-307)

#### Decent work, health, and well-being (SDG 3 and 8)

According to the *UN Special Rapporteur on Contemporary Forms of Slavery*, the illegal mining sector is rife with indentured employment (i.e., modern slavery), utilizes child labor and forced labor of undocumented immigrants, perpetuates unfair work conditions, and disregards health and safety requirements for miners. Reportedly, there are between 8,000 and 30,000 illegal miners in South Africa. The huge variation indicates the difficulties in assessing the number of people involved. Most of South Africa’s illegal miners are undocumented immigrants from neighboring countries such as Lesotho, Mozambique and Zimbabwe.[[308]](#endnote-308) Men and women are offered employment in illegal mining operations through deception and receive cash advances during their initial months of work, following which this is deducted from the salary so that the worker is indebted to the employer.[[309]](#endnote-309) Moreover, armed gangs are kidnapping rival miners and forcing them to work under slave-like conditions.[[310]](#endnote-310)

Child labor is unfortunately a common feature in illegal mining.[[311]](#endnote-311) While the legitimate private sector actors continue to take measures to ensure that their supply chains are free from child labor, illegal operators continue to employ children to work both under dangerous conditions both above and below ground. They risk death from explosions, rock falls, and tunnel collapses and breathe air filled with dust and sometimes toxic gases. They also dig, crush, mill, and haul ore and stand for hours in water.[[312]](#endnote-312) The International Labour Organization (ILO) has conducted many studies on children in hazardous work and estimates that approximately one million children aged 5 to 17 years old risk their lives by working in mines.[[313]](#endnote-313) The gold mining industry is particularly hazardous for child workers due to the prolonged exposure of toxic metals.

The pervasiveness of unfair work conditions, child labor and other violation of human rights threatens the viability of the global legitimate minerals industry and the achievement of SDG 8, in particular targets 8.7 (eradicate forced labor and child labor), 8.8 (safe and secure working environments for all workers).

Illegal mining also disregards health and safety requirements for miners, thereby putting their lives at risks (SDG 3). In many cases, illegal mining businesses do not have adequate and suitable safety gears (masks, gloves and hearing protection) for their workers, resulting in health risks due to the exposure of silica dust. The use of mercury in illegal gold mining represents a particular threat to good health and well-being. Artisanal and small-scale gold mining is the largest human source of mercury pollution, accounting for over one-third of global emissions and releasing about 800 tons of mercury into water bodies, affecting the soil and drinking water of communities close to river bodies.[[314]](#endnote-314) Peru declared a temporary state of emergency in 2016 over widespread mercury poisoning in Madre de Dios, a jungle province rife with illegal mining.[[315]](#endnote-315) A study by [Carnegie Institution for Science in Washington, D.C.](https://dge.carnegiescience.edu/research/CAMEP/CAMEP%20Research%20Brief%20-%20Puerto%20Maldonado%20English%20-%20FINAL.pdf) found that nearly four in five adults in the area’s capital city tested positive for dangerous levels of mercury.[[316]](#endnote-316)

#### Environmental impact (SDGs 6, 12, 13, 14, and 15)

Sustainable economic growth depends on creating the conditions that allow people to have decent jobs that stimulate the economy while not harming the environment.  If not managed properly, the mining and processing operations of precious minerals can have a substantial negative impact on the surrounding environment. To ensure environmental stewardship, the legitimate mining industry is heavily regulated to ensure that natural resources are used effectively, and that chemicals and waste are reduced, recycled or otherwise managed responsibly.

Illegal operators do not adhere to environmental regulation and generally disregard the impacts of their activities on the environment and the sustainable, efficient use of natural resources (SDG 12). The illegal excavation of minerals often destroys large parcels of land, causes deforestation (SDG 13 and 15), soil erosion, pollution of soil, air and water (SDG 6 and 14).[[317]](#endnote-317) Apart from creating health and safety hazards for people living in these areas, wildlife also is being impacted.

* The Amazon River Basin, home to the world’s largest rainforest, is being severely impacted by illegal mining. Informal and mostly illegal, gold mining in and around the rainforest involves forest removal, soil excavation and the use of liquid mercury, which together pose significant threats to biodiversity, water quality, forest carbon stocks and human health.[[318]](#endnote-318) It is estimated that approximately 30 to 40 metric tons of mercury are dumped into the environment annually.
* 19,000 hectares of rainforest in Chocó, Colombia, have been destroyed as a result of the country’s multi-billion dollar illegal trade in gold.[[319]](#endnote-319) Colombia ranks second only to China in mercury pollution.[[320]](#endnote-320)
* Madagascar’s protected rainforest has been impacted by the illegal trade in sapphire, bringing deforestation and destruction to areas renowned for biodiversity and threatening the lemurs’ natural habitat under threat.[[321]](#endnote-321)
* Illegal gold mining in Ghana degrades forests, pollutes around 75% of the waterways, and erodes biodiversity.[[322]](#endnote-322) The water contaminated with heavy metals has resulted in poisoning of those who use the water.[[323]](#endnote-323)

#### Funding conflict (SDG 16)

Illicit trade in precious metals and gemstones share a dark nexus with organized crime, terrorism and bloody conflict across the world, undermining global efforts to achieve SDG 16 (Peace, justice and strong institutions).

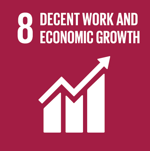
* Armed groups in Colombia extort locals and pollute the water in an effort to dominate the US$2.4 billion illegal gold trade.[[324]](#endnote-324)
* Drug cartels in South America use drug profits to invest in gold mining and then sell gold to American and multinational companies, thereby laundering staggering amounts of illicit profits. Some estimates suggest that the trade in dirty gold has become more profitable than cocaine.[[325]](#endnote-325)
* The illegal trade of tantalum, tungsten, tin and gold (also referred to as 3TG) from the Democratic Republic of Congo (DRC) and surrounding countries underpins conflict throughout Africa, finances armed groups and encourages forced labor, human rights abuses, corruption and money laundering.[[326]](#endnote-326)
* Illicit diamonds have 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.[[327]](#endnote-327)
* Afghan Taliban and other jihadi groups earn as much as US$200 to US$300 million annually from illegal mining, the second-largest revenue stream after narcotics.[[328]](#endnote-328)

### Conclusions

Illicit trade in precious metals and gemstones undermines the UN Sustainable Development Goals (SDGs) in many ways:

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| Limits opportunities for skill development and direct employment in the legitimate mining industry. | Illegal mining practices disregards health and safety requirements for miners and represents a significant source of mercury pollution globally. | Runoff and improper production practices contaminates water basins with heavy metals and other poisons and renders drinking water unsafe for human consumption. | Prevents countries from exploit mining resource endowments to drive wider national economic growth; and perpetuates child labor and other human rights violations. | Drains investment in essential infrastructure such as roads that enables wider social and economic progress. |
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| Disregard for mining regulations leads to inefficient use of natural resources and exacerbates the challenge to effectively manage chemical and other wastes. | Forest removal and soil excavation limit CO2 adsorption capacities of forests. | Contamination of rivers and underground water basins jeopardizes biodiversity and underwater ecosystems. | Illegal mineral excavation accelerates deforestation and degrades natural animal habitats. . | Funds organized crime, terrorism and military conflict that undermines peace, justice and good governance. |
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## SDGs and illicit trade in tobacco products

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Illicit trade in tobacco is rampant and perhaps the most widespread and well-documented sector vulnerable to illicit trade.[[329]](#footnote-1) The illicit market is estimated to be in the scale of tens of billions of dollars.[[330]](#endnote-329) In 2015, it was estimated that one in every ten cigarettes was illicit,[[331]](#endnote-330) which is corroborated by statistics that show the global trade discrepancy in cigarettes to be 90 billion sticks.[[332]](#endnote-331)

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.”[[333]](#endnote-332) Criminals engage in many forms of illegal trade in tobacco including contraband cigarettes, counterfeits, illicit or cheap whites, gray market cigarettes or loose tobacco.[[334]](#endnote-333)

Illicit trade in tobacco generally includes:

* illicit manufacture: cigarettes produced in legal or covert facilities and not declared to tax authorities for local use as well for exporting illegally; and
* illicit distribution: tobacco products produced in one jurisdiction and then transported to another illegally either for personal consumption or commercial exploitation (bootlegging).[[335]](#endnote-334)

According to Interpol, corruption is the primary facilitator of illicit trade in tobacco products.[[336]](#endnote-335) Other enabling factors include weak governance, ineffective customs and excise administration and presence of informal distribution channels.[[337]](#endnote-336) Illicit trade of tobacco products robs governments of much needed tax revenue, fuels corruption and terrorism, and expands the global illegal economy, which hampers competition and free trade and subsidizes other forms of illicit trade, including drugs, arms and human trafficking.[[338]](#endnote-337) 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.[[339]](#endnote-338)

Over the years, several efforts have been made to recognize and resolve the detrimental impacts of illicit trade in tobacco. In 2003, the World Health Organization (WHO) recognized the need to regulate the illicit trade in tobacco as imperative to promoting public health and adopted the Framework Convention on Tobacco Control (FCTC), the first international treaty aimed at addressing illegal tobacco trade. Within the FCTC, a Protocol to Eliminate Illicit Trade in Tobacco Products aims to secure the legal supply chain through a number of measures, including the establishment of a global tracking and tracing system, establishing offences, addressing liability and seizure payments as well as the disposal of confiscated products, and other measures aimed at promoting international cooperation. As of 15 June 2018, there are 39 Parties to the Protocol. The Protocol requires 40 Parties to enter into force.[[340]](#endnote-339)

### Impact of illicit trade in tobacco on achieving the UN Sustainable Development Goals

Illicit trade in tobacco has wide-ranging negative impacts on achieving a number of the SDGs. First and foremost, it increases the accessibility and affordability of tobacco products, with adverse effects on public health and well-being – in particular of young people, the poor and other vulnerable groups. As noted by WHO, the economic and social impacts disproportionately affect developing countries and countries with economies in transition.[[341]](#endnote-340)

Illicit trade in tobacco products also represents a major source of illegal income for organized crime and terrorist organizations.[[342]](#endnote-341)

The following sub-headings analyze the impact that the illicit trade in tobacco products has on the achievement of three SDGs:

* SDG 3 (good health and well-being);
* SDG 8 (decent work and economic growth);
* SDG 16 (peace, justice and strong institutions).

#### Health (SDG 3)

Reducing tobacco consumption and mitigating the harmful effects of tobacco smoking is intrinsically linked to SDG 3 (ensure healthy lives and promote wellbeing for all at all ages). Notably, SDG target 3A calls for strengthening the implementation of the WHO Framework Convention on Tobacco Control (FCTC) as one of the means to reach the overall health goal of SDG 3. The FCTC Protocol aims at eliminating all forms of illicit trade in tobacco so as to decrease the accessibility and affordability of tobacco products. This would firstly reduce consumption and secondly strengthen associated tobacco control policies. The Protocoal aims to secure the supply chain, including by establishing an international tracking and tracing system, by countering illicit trade through dissuasive law enforcement measures and a suite of measures to enable international cooperation.[[343]](#endnote-342)

Illicit trade undermines tobacco control policy efforts and facilitates increased uptake of tobacco by youth and adults from low-income groups by making tobacco products more affordable and accessible, particularly to those from low-income groups.[[344]](#endnote-343)

The global illicit tobacco trade undermines governments health policy objectives by increasing the use of tobacco products and depriving funds for anti-smoking campaigns and healthcare costs.[[345]](#endnote-344) The illegal tobacco market operates outside of formal commercial channels and is immune to government health regulations, such as requirements for marketing and labeling. Moreover, illicit tobacco products may be even more harmful by introducing products to consumers that do not meet the health regulations of the destination country, including some with ingredients not fit for human consumption.[[346]](#endnote-345)

Moreover, in recognition of the health risks associated with smoking, the legitimate industry has – contrary to illicit traders – made a commitment to developing reduced-risk products that have the potential to significantly reduce health risks when compared to smoking and is working on long-term sustainability goals across their value chains.

#### Stable and secure economic growth and development (SDGs 8 and 16)

Illicit trade not only causes significant financial damage to government revenues, but also hurts the economic stability and competitiveness of traders that comply with regulations – creating a drag on economic growth (SDG 8). Every year, governments lose an estimated US$40.5 billion in tax-based revenue from the unreported, illicit trade of tobacco products. In some countries, illicit trade can be as high as 40 – 50% of the overall tobacco market.[[347]](#endnote-346) The lost tax revenues severely limit government ability to generate sufficient tax revenue to provide for public services, infrastructure and healthcare.[[348]](#endnote-347) In addition, expenditures on law enforcement are substantial and further strain limited government funds.[[349]](#endnote-348)

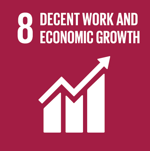
Illicit tobacco trade is also a source of financing for criminal activities and is viewed as a major security threat by governments (SDG 16).[[350]](#endnote-349) Numerous case studies show that the proceeds from illicit trade in tobacco products are being laundered by organized crime networks and redirected to fund other criminal activities, like drug, arms and human trafficking and even terrorism.[[351]](#endnote-350) Second only to trafficking in drugs, trafficking in illicit cigarettes is cited as the main sources of funding for terrorist activities in the sub-Saharan region where traffickers closely cooperate with regional terrorist groups.[[352]](#endnote-351) In central and eastern Africa, rebels found to be in violation of serious human right violations also are associated with illicit trade in tobacco.[[353]](#endnote-352)

### Conclusions

Illicit trade in tobacco products undermines the UN Sustainable Development Goals (SDGs) in many ways:

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| Increases affordability and access to non-regulated tobacco products. | Strips governments of billions in tax revenues that could be allocated to public services, infrastructure and other development investments. | Funds organized crime and terrorist activities that threaten peaceful and inclusive societies; and burdens expenditures on law enforcement. |  |

## SDGs and trafficking in persons

Trafficking in persons is – as all types of illicit trade – a lucrative form of organized crime and a high-profit, low-risk activity. 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. Trafficking in persons undermines the rule of law, fuels corruption, and funds conflict and terrorism.[[354]](#endnote-353)

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| **Defining trafficking in persons**  According to the *UN Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children*, 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.” |

The International Labour Organization (ILO) and the Walk Free Foundation (WFF) estimate that 24.9 million people are victims of forced labor globally.[[355]](#endnote-354) According to the ILO, trafﬁcked forced laborers produce a total illicit proﬁt of US$150 billion per year.[[356]](#endnote-355)

Trafficking in persons is very much a global problem, prevalent throughout all regions and countries. Data from 2012 – 2014 shows that 57% of victims were trafficked transnationally, i.e., across at least one international border.[[357]](#endnote-356)

ILO and the WWF estimate that 16 million people were in forced labor in the private economy in 2016, of which 58% were women and 42% men.[[358]](#endnote-357) In addition, 4.1 million people were in forced labour imposed by state authorities, and 4.8 million victims were in forced sexual exploitation.[[359]](#endnote-358) In terms of the type of coercion forced on victims, 24% had their wages withheld, 17% faced threats of violence, 16% were subject to acts of physical violence, and 12% received threats against family.[[360]](#endnote-359)

Trafficking in persons is an issue in a wide range of sectors that are vulnerable to illicit trade, including – but not limited to – fisheries, agriculture, manufacturing and mining. In terms of forced labor in the private economy; 24% were domestic workers; 18% worked in construction; 15% in manufacturing; 11% in agriculture, forestry and fishing; 10% in accommodation and food services; 9% in wholesale and trade; 7% in personal services; 4% in mining and quarrying; and 1% in begging.[[361]](#endnote-360) The U.S. Department of Labor has identified 139 goods from 75 countries produced by forced and child labor, including everything from diamonds and cotton to garments and electronics.[[362]](#endnote-361)

### Impact of trafficking in persons on achieving the UN Sustainable Development Goals

Sexual exploitation forced labor, sham marriages, domestic servitude, and organ removal are all examples of how human trafficking degrades people to commodities that are traded for profit. Human trafficking represents a failure of the global community to protect the most vulnerable members of our communities, including those living in poverty and conflict.

As underscored by a former US Secretary of State, “No nation can end modern slavery alone. Eliminating this global scourge requires a global solution. It also cannot be solved by governments alone. The private sector, academic institutions, civil society, the legal community, and consumers can all help to address the factors that allow human trafficking to flourish.”[[363]](#endnote-362)

The 2030 Agenda for Sustainable Development contains three specific targets to end human trafficking, under SDGs 5, 8 and 16. However, the costs of these grave human rights violations extend across several other SDGs, prohibiting the achievement of a just, free and equitable society. As such, combatting trafficking in persons is key to achieving several of the SDGs.

The following sections analyze the impact that trafficking in persons has on the achievement of five SDGs:

* SDG 3 (good health and well-being);
* SDG 5 (gender equality);
* SDG 8 (decent work and economic growth);
* SDG 10 (reduced inequalities); and
* SDG 16 (peace, justice and strong institutions).

#### Health (SDG 3)

Combating trafficking in persons for the purpose of sexual exploitation has a direct impact on the ability to achieve SDG target 3.7 which calls for ensuring “universal access to sexual and reproductive health care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes.” This type of trafficking exposes both the trafficked victim as well as the client to significant health risks, including high risks of HIV and AIDS, and “often bars women from accessing sexual, reproductive and health care services.”[[364]](#footnote-2)

#### End violence against women and children (SDGs 5 and 16)

Human trafficking has no place in society. It is a threat to gender equality and the right for all women and children to live in a safe environment, which protects their human rights.

Roughly half of trafficking victims (51%) are women.[[365]](#footnote-3) 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.[[366]](#endnote-363) Combating the trafficking of women effectively can help meet SDG 5 to achieve gender equality and empower all women and girls. Moreover, stopping human trafficking can aid to achieve SDG target 5.1, which calls for elimination of “all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation.”

Combating trafficking of children is specified under SDG 16 to promote just, peaceful and inclusive societies. SDG target 16.2 calls for action to “end abuse, exploitation, trafficking and all forms of violence against and torture of children.” Although roughly half of the victims are women, the share of child victims has increased. In 2014, 28% of detected victims were children[[367]](#endnote-364) and 71% of those child victims were girls.[[368]](#endnote-365)

#### Decent work for all and protection for migrant workers (SDG 8 and 10)

SDG 8 focuses on the promotion of inclusive and sustainable economic growth, employment and decent work for all. Trafficking in persons, however, is the very antithesis of decent work. Target 8.7 therefore specifically deals with this issue and calls for “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, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms.” Targets 8.5 and 8.8 also are of particular importance for addressing trafficking in persons.

* Target 8.5 calls for action to “[b]y 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.”
* Target 8.8 calls for action to “[p]rotect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.”

The protection of migrant workers from abuse also is linked to SDG 10 (reduce inequality within and among countries). Target 10.7 calls for action to “[f]acilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies.” If people are able to migrate safely and legally, and without using smugglers to cross borders, they are less vulnerable to abuse and exploitation, including human trafficking. First, using smugglers is often costly, which in turn can subject them to a situation of debt bondage. Second, the fact that they are in the country illegally is another issue of concern as their exploiter can threaten to report them to the authorities if they try to escape.

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| **The difference between trafficking in persons and smuggling of migrants**  It is important to point out that the crimes of trafficking and smuggling are substantively different. According to *the UN Protocol Against the Smuggling of Migrants by Land, Sea and Air*, smuggling of migrants refers to “the procurement, in order to obtain, directly or indirectly, a financial or other material benefit, of the illegal entry of a person into a State Party of which the person is not a national or a permanent resident.” In other words, smuggling of migrants is when someone facilitates the illegal border crossing or illegal residence of a person in another country with the aim of making a profit. It is by definition always transnational as it involves the crossing of international borders. Generally, the relationship between the smuggler and migrant ends once the border crossing has been completed. Finally, migrant smuggling involves consent.  Trafficking in persons, on the other hand, is not necessarily transnational, and centers around exploitation of persons who are either coerced or deceived into the situation of trafficking. Contrary to smuggling, the relationship between the victim and trafficker generally continues, or a new relationship between exploiter and victim is established, once the destination is reached. It is not uncommon that what starts off as smuggling of migrants can turn into a situation of trafficking. Migrant workers are of particular risk for abuse. Many migrants enter their destination country through networks of recruitment agents, thereby incurring high brokerage fees. This leads to a situation of debt bondage, which in turn makes them vulnerable to exploitation. |

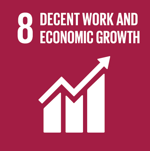
Forced labor and abuse of migrant workers is for example prevalent in the fishing industry. Verité argues that low fish stock as a result of overfishing has forced boats to stay farther out and longer at sea, which in turn means that vessels elude regulatory oversight for longer periods of time, making workers more vulnerable to abuse.[[369]](#endnote-366) Furthermore, with the ships out for longer periods of time, these jobs are less and less appealing to local workers, which means that the sector becomes increasingly dependent on migrant workers that may arrive from poorer neighboring countries – sometimes with the help of smugglers. If these migrant workers have entered the country illegally or have paid significant amounts of money to smugglers to cross the international borders – this makes them vulnerable to exploitation.[[370]](#endnote-367)

### Conclusions

Mitigating trafficking in persons has significant potential to advance achievement of the SDGs by:

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| Exposes trafficking victim and sex clients to significant health risks, including HIV, AIDS and other STDs; and bars former trafficking victims from accessing sexual, reproductive and health care services. | Exploits millions of women and girls that are coerced into prostitution, forced into marriage and held as slaves. | Denies fulfilling and decent work opportunities for women, men and young people; and exposes them to labor rights violations and unsafe working environments. | Exposes vulnerable migrant workers to elevated risk of being forced into slave labor or violated in other forms of human trafficking. | Compounds the problem of child trafficking by destabilizing just, peaceful and inclusive societies for generations. |

## SDGs and illicit trade in wildlife[[371]](#endnote-368)

** **

Illicit trade in wildlife is a serious threat to local ecosystems and the survival of endangered and vulnerable species. The World Wildlife Fund (WWF) reports that during the past 40 years, we have seen a 58% decline in vertebrate population and an 81% decline in populations living in freshwater systems.[[372]](#endnote-369) Unsustainable and illegal trade in wildlife is cited as the second biggest threat to species after environmental damage.[[373]](#endnote-370)

Moreover, illicit trade in wildlife is a global criminal industry and one of the most lucrative forms of illicit international trade. Similar to other forms of illicit trade, the profits from wildlife trafficking are high,[[374]](#endnote-371) with the value of the byproducts” increasing by multiples of 25 to 50 along the commodity chain.”[[375]](#endnote-372) Illicit trade in wildlife is typically transcontinental,[[376]](#endnote-373) and, as highlighted by the United Nations Office on Drugs and Crime (UNODC), “[v]irtually every country in the world plays a role” as a source, transit, or destination of illicitly traded wildlife.[[377]](#endnote-374)

### Impact of illicit trade in wildlife on achieving the UN Sustainable Development Goals

Illicit wildlife trade almost entirely is responsible for pushing some of the world’s most popular and unique species to the brink of extinction. Because of its criminal nature, it undermines good governance and the rule of law and fuels corruption, while financing the very criminal networks that threaten peace and security. Illicit trade in wildlife also robs countries of their natural heritage and damages the livelihoods of local communities who depend on tourism. In the words of former UK Foreign Secretary William J. Hague, “[the illicit trade in wildlife] drives corruption and insecurity and undermines efforts to cut poverty and promote sustainable development.”[[378]](#endnote-375)

Since preserving wildlife is crucial for the well-being of people and the planet alike, stopping this trade is crucial to achieving a number of the SDGs. This is particularly true for SDG 15, which calls for urgent action to halt the loss of biodiversity, to protect and prevent the extinction of threatened species, and to end poaching and trafficking of protected species of flora and fauna.

The following sections analyze the impact that the illicit trade in wildlife has on the achievement of six SDGs:

* SDG 1 (no poverty);
* SDG 2 (zero hunger);
* SDG 8 (decent work and economic growth);
* SDG 11 (sustainable cities and communities)
* SDG 15 (life on land); and
* SDG 16 (peace, justice and strong institutions).

#### Livelihoods (SDGs 1, 2, and 8)

In addition to the serious and wide-ranging environmental impacts, illicit trade in wildlife has substantial negative impacts on livelihoods and the economies of local communities which depend upon wildlife and associated industries as a component to achieve sustainable development.[[379]](#endnote-376) [[380]](#endnote-377)

WWF reports that the knock-on effects of illegal wildlife trade can undermine local employment in legitimate sectors, fuel corruption, and rob governments of tax revenue that could be invested towards meeting the sustainable development goals.[[381]](#endnote-378)

For SDG 1 (no poverty), the illicit trade in wildlife impacts target 1.4 which calls for ensuring “equal rights to men and women, and in particular the poor and the vulnerable, to economic resources, as well as ownership and control over land and natural resources.” As stated by CITES Secretary-General John E. Scanlon, illicit trade in wildlife means that “local communities are being deprived of making their own development choices, including through the legitimate use of their wildlife resources.”[[382]](#endnote-379)

More than 90 percent of natural World Heritage sites support recreation and a growing wildlife-based tourism industry. But many of these benefits are threatened by excessive poaching. This is linked to SDG 2 (zero hunger) target 2.3 which refers to ensuring “opportunities for value addition and non-farm employment,” as well as SDG 8’s (decent work and economic growth) target 8.9 to “devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.”

Sustainable ecosystems are critical for supporting tourism, which according to UNEP contributes 5-10% of national economies. [[383]](#endnote-380) According to the UNWTO, wildlife watching and wildlife tourism provide approximately 60% of the income of most African regions.[[384]](#endnote-381)

The economic case for combatting illicit trade in wildlife is clear: taking the elephant as an example, its estimated value is 76 times more alive than dead. Wildlife based tourism is, in other words, big business.[[385]](#endnote-382) Rather than one elephant’s ivory yielding up to US$21,000, the David Sheldrick Wildlife Trust estimates that that tourism yields from that same elephant could be up to US$1.6 million over the elephant’s lifetime.[[386]](#endnote-383) Combatting illicit trade has therefore not only has a substantial economic impact on local communities as national economies alike, but also on legitimate business’ operations.

#### Protecting biodiversity, preserving natural heritage and ending poaching and trafficking (SDGs 11 and 15)

According to the UNDP, out of the 8,300 animal breeds known to man, 8% are extinct and 22 percent are at risk of extinction.[[387]](#endnote-384) In 2014, 1,215 rhinos were killed for their horns by poachers in South Africa,[[388]](#endnote-385) and between 2010 and 2012, an estimated 100,000 elephants – or one fifth of the African elephant population – were killed by poachers for their ivory.[[389]](#endnote-386) Rhino poaching in Zimbabwe and South Africa, which have the largest remaining populations, has increased dramatically from less than 50 in 2007 to over 1,000 in 2013.[[390]](#endnote-387) In March 2016, UNODC reported that rhino poaching in South Africa had increased by as much as 8,000% between 2007 and 2014.[[391]](#endnote-388) According to the OECD, rhino horns can earn traffickers up to US$65,000 per kilogram.[[392]](#endnote-389) UNEP estimates the Asian street value of poached African ivory to be in the range of US$165–188 million, and the value of rhino horn poached in 2013 is in the range of US$63.8–$192 million.[[393]](#endnote-390) Developing countries – the biggest source of animals that are poached and trafficked – feel the economic and biodiversity losses the most.[[394]](#endnote-391)

Between 2000 and 2013, the parts of at least 1,537 tigers were seized in Asia.[[395]](#endnote-392) There may now be as few as 3,200 wild tigers left in the world, with illicit trade being one of the biggest threats to their survival.

While elephant, rhino and tiger poaching have received wide media attention, the unfortunate award for the most trafficked mammal in the world goes to the lesser known pangolin. UNEP estimates that more than 1 million pangolins have been poached in the last decade.[[396]](#endnote-393) Although not as valuable as ivory or rhino horn, the average retail value for raw pangolin scales can reach US$2,500 per kilogram, with the illegal trade in pangolin scales worth an estimated US$46 million annually.[[397]](#endnote-394)

SDG 15 (life on land) specifically focuses on one of the key effects of the illicit trade in wildlife, namely the need to “halt biodiversity loss.” Furthermore, specific targets under SDG 15 call for:

* urgent and significant action to protect and prevent the extinction of threatened species (SGD target 15.5);
* ending poaching and trafficking of protected species of flora and fauna and addressing both demand and supply of illegal wildlife products (target 15.7); and
* enhancing global support for efforts to combat poaching and trafficking of protected species (target 15.C).

Poaching also threatens the integrity of some of the world's most iconic natural sites and therefore stands directly in the way of SDG target 11.4 (Strengthen efforts to protect and safeguard the world’s cultural and natural heritage). Almost half of the world's 200 designated UNESCO natural heritage sites are impacted by wildlife criminals.[[398]](#footnote-4)

#### Security and the rule of law (SDG 16)

Wildlife trafficking erodes state authority, undermines security and the rule of law, and helps finance organized crime and insurgent groups. [[399]](#endnote-395) [[400]](#endnote-396) Ivory has been called the new conflict resource,[[401]](#endnote-397) 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.”[[402]](#endnote-398) In a [report](http://www.un.org/ga/search/view_doc.asp?symbol=S/2013/297) 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.”[[403]](#endnote-399) 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 DRC and Central African Republic in 2014.[[404]](#endnote-400)

### Conclusions

Mitigating the illicit trade in wildlife has significant potential to advance achievement of the SDGs by:

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| Deprives communities of access to economic resources and ownership and control over land and natural resources, especially those communities who depend on tourism. | Prevents opportunities for value addition and non-farm employment represented by the tourism sector. | Negatively impacts the economies of local communities which depend on wildlife for their livelihoods. | Threatens half of the world's 200 designated UNESCO natural heritage sites home to many of the world’s most endangered species. | Responsible for pushing some of the world’s most popular and unique species to the brink of extinction. | Undermines good governance and the rule of law, fuels corruption and financing the very criminal networks that threaten peace and security. |

# III. Conclusions

[Section under construction]

Combatting illicit trade and achieving the Sustainable Development Goals are two closely intertwined processes in which business has an important role to play. Governments acting in isolation from the private sector, or companies acting alone instead of together with their peers and across sectors, will not achieve the SDGs. On the contrary, realizing the SDGs requires a broad industry engagement in cooperation with governments and intergovernmental organizations. TRACIT connects and mobilizes businesses across industries, sectors and national borders, making it possible to achieve results in addressing illicit trade more effectively than any single actor can accomplish alone. In line with the SDGs TRACIT calls for multi-stakeholder partnerships that “mobilize and share knowledge, expertise, technology and financial resources” and the promotion of effective public, public-private and civil society partnerships, TRACIT’s membership has a key role to play in revitalizing the global partnership for sustainable development.

So while international trade is largely credited with driving global economic growth and development over the past seven decades, these trends suggest that the illicit aspects of international trade crowd out its full potential to contribute to the SDGs over the next two decades.

The fleeting nature of illicit trade persistently discourages any sort of sustainability and its deep-rooted corruption endures for generations.

In fact, this study shows that all seventeen of the SDGs are negatively impacted by illicit trade.

This study maps how illicit trade in It also highlights private sector efforts that could be scaled up or implemented across sectors in an effort to reach the goals by 2030. Now is the time for business to engage as key partners in the global development effort.

How does the UN drive other UN/IGOs to action?

Can illicit trade provisions be built into the Global Compact? (would companies even want this?)

# Notes

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