Working Party on National Accounts

Illegal activities in the Netherlands 1995-2008

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Illegal activities in the Netherlands 1995-2008

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Illegal activities in national accounts: Definition

- Production of goods or services whose sale, distribution or possession is forbidden by law
- Criterion: mutual consent

YES: illicit drugs, prostitution, bribery
NO: theft (but handling stolen goods YES)
Illegal activities in national accounts: Activities

- Illicit drugs
  - Heroin and cocaine
  - Ecstasy and amphetamines
  - Canabis
- Prostitution
- Fencing, the handling of stolen goods
- Illegal temporary employment through employment agencies
- Illegal gambling
- Illegal copying of software, games, movies and music
- Smuggling of cigarettes and tobacco
Heroin and cocaine: Background information

- No production of heroin and cocaine in the Netherlands
- From 2002 onwards stricter control on imports
Heroin and cocaine: Data and assumptions

Data
• Seizures (all years)
• Prices (all years)
• Number of users (some years)
• Purity of heroin and cocaine for consumption (some years)

Assumptions
• Seizure rate
• Transit by non-residents
• Average quantity consumed per user
• Costs of trade
• Purity of heroine and cocaine for imports and exports
Heroin and cocaine: Formulas

Value added = Trade margins – Costs
- Costs = 10\% of trade margins on consumption and export

Trade margins = Domestic consumption + Exports – Imports
- Domestic consumption =
  \((\text{number of users} \times \text{average use per user}) \times \text{street price}\)
- Imports =
  \(((\text{Seizures} / \text{seizure rate}) – \text{Seizures}) \times \text{import price}\)
- Exports =
  \((\text{imports} – \text{domestic consumption}) \times \text{export price} - \text{transit}\)
Heroin and cocaine: Estimate and error margins (Value added)
Illicit drugs
Estimates (value added)
Illegal activities
Estimates (value added)
Value added of illegal activities as percentage of GNI

![Graph showing value added of illegal activities as percentage of GNI from 1995 to 2008. The graph includes two lines: one for 'Value added' and one for 'Upperbound'. The 'Value added' line shows a slight increase from 1995 to 2008, while the 'Upperbound' line fluctuates slightly above the 'Value added' line throughout the period.](image-url)
Illegal activities and national income

- Some units are already included: Coffee shops, (part of) prostitution, employment agencies

- Transactions already included
  Household consumption (cannabis, prostitution, illegal gambling)

- Intermediate cost already included as household consumption
  Use of electricity to grow cannabis

Impact
- About one-third (0.2 %-point) of the value added of illegal activities is already included in the current figures of GNI