

## Networked Partnerships to Counter the Dark Side of Globalization: Illicit Trade and the Global Illegal Economy

David M. Luna  
Senior Director for National Security and Diplomacy, INL  
U.S. Department of State  
OECD Task Force on Countering Illicit Trade  
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Good morning.

It is an honor to co-chair this regional meeting in Europe organized jointly by the Organization for Economic Cooperation and Development (OECD) and the World Customs Organization (WCO).

As Chair of the OECD Task Force on Countering Illicit Trade (TFCIT), it is also a pleasure to welcome our partners who are here with us this week to mobilize our collective commitment to strengthen international cooperation across sectors to combat the pernicious effects of illicit threats to our economies and communities.

Let me also extend special thanks to the WCO's Enforcement sub-directorate, and to Ms. Ana Hinojosa of the Compliance and Facilitation directorate, for their leadership internationally on law enforcement and customs security issues.

It is important to recognize the accomplishments of the WCO in building consensus among its members, and promoting a vision of smart, integrated, and coordinated customs administrations in the global fight against illicit trade and criminal networks.

The WCO's coordination of enforcement activities, such as Operation Gryphon II (countering illicit tobacco) and recent successes seen in Operation Chimera (targeting light weapons and cash and bearer negotiable instruments) are a clear testament to the continued success of this vision.

### *Illicit Trade in Europe and Beyond*

The growth of the global illegal economy is one of the most daunting challenges we face today.

As we have advanced the work of the OECD TFCIT across source, transit and demand markets, we continue to see evidence of how today's global illegal economy is imperiling many of our shared interests. Illicit Trade is evolving into a convergence, a multi-dimensional matrix

connecting an incredible array of illicit actors, networks, black market facilitators, and complicit financial hubs at critical nodes measured in space and time.

Tackling the issue of illicit trade in Europe and beyond has never been more timely. Criminal networks that are engaged in the illicit trafficking of narcotics, counterfeits, humans, illicit tobacco and illegal wildlife trade, pose not only an economic threat that results in loss of revenue for governments and businesses alike, but also harms the well-being, health, safety, and security of ordinary citizens.

As these threat networks converge, we too must unite. The pipelines linking these bad actors and threat networks slice through borders and undercut our shared interests. One threat bleeds into another.

For example, the illicit trade in products such as counterfeits, illicit tobacco, or antiquities sold across European, and other markets, fuel webs of corruption and criminality – and in some cases, finances terrorist activities across the Middle East and Africa.

Reports in recent years have shown how the trafficking of cultural heritage artifacts, such as stolen antiquities from Iraq, Syria, and Libya, have helped to finance violent campaigns by the Islamic State of Iraq and the Levant (ISIL). One of the hubs for selling stolen cultural artifacts and antiquities is reportedly located here in Brussels. A few weeks ago, there were also troubling reports of Italian organized criminal networks exchanging arms for antiquities with violent extremist groups in Libya.

Other forms of illicit trade, such as organized crime and corruption associated in sport or counterfeiting, pose considerable threats to European economic prosperity and physical security. Over the years, counterfeit and pirated goods have not only helped terror groups stay in business, but have enabled them to finance their attacks in Europe and other regions.

On the economic security front, findings from the 2016 OECD study on the trade in pirated and counterfeit goods found that some 5% of imports in the European Union, totaling \$116bn were fakes. Innovation-based economies across this continent which rely on the protection of their creative property and brands from copyright and trademark infringement are suffering significant losses that negatively affect jobs and investment.

From a convergence perspective, the trade in counterfeits must also be seen in the larger context of social, economic, ethical and security harms left behind from criminal and illicit actors.

It is not only the loss of revenue or profits that we must concern ourselves with, but how illicit trade impacts the integrity of markets and supply chains; puts our communities' health and safety at risks (fake medicines, defective electronics or auto parts, counterfeited pesticides,

contaminated food stuff); subverts human rights through reliance on forced labor, exploitation of children, human trafficking, and unsafe working conditions; and endangers the environment through corrupt practices and by way of unregulated manufacturing conditions, or the dumping of hazardous materials. All these outcomes threaten our common security.

Added together, each form of illicit activity, is not just individually dangerous, but converges to represent a far greater threat.

### ***Update on the Task Force's Work: Prosecuting the Fight Against Illicit Trade***

As some of you may know, the OECD TFCIT was created with the intent of charting the flows of illicit trade in order to better quantify the risks, illicit markets, actors and networks that thrive in the shadows of global trade.

The next phase of the Task Force aims to analyze and study the policies and measures needed to counter illicit trade in a bid to provide recommendations on the institutional capacity for countermeasures.

Many of the discussions held here today will directly influence the work and research of the Task Force: topics such as the effectiveness of penalties and sanctions on illicit trade, the ties between illegal wildlife trafficking and corruption, and the supply chain vulnerabilities of Free Trade Zones, all of which are the subject of ongoing research and analysis by the OECD.

I hope that we can expand the network of the OECD TFCIT by adding new members and stakeholders, so as to develop fresh ideas for countering illicit trade.

I encourage all of you to contribute actively to these discussions in order to ensure that the policy points raised here are integrated more fully into the second phase of our Task Force's work program, and to ensure that they are reflected in the next generation of OECD research.

### ***Leveraging the work of the Task Force into Global Partnerships***

In the coming year, building on our strategic engagement this week with the WCO, the European Union and the European Parliament, we also anticipate strengthening public-private partnerships to counter illicit trade in Southeast Asia. This objective will be advanced in partnership with the APEC and ASEAN economies through the APEC Pathfinder dialogue. Similarly, we hope to work with other committed intergovernmental organizations, business alliances and civil society groups to fight against the illegal economy across the Middle East, Africa and other regions of the world.

This work could not be undertaken without the dedication, hard work and cooperation of the governments and intergovernmental organizations present here today. The United States joins

the OECD and WCO in applauding the leadership of European Parliament for elevating awareness on the harms of illicit trade, and for mobilizing energies to target the dark side of globalization.

In closing, I offer my thanks to all of you and urge your continued dedication to this important work. Your contributions to this policy dialogue will guide our common path forward.

Thank you.