

## Issue description

Committee: G13 Summit

Issue of: Illicit trade

Submitted by: Lili Huba, Deputy President of the G13 Summit

Edited by: Márton Levente Sipos, President of the General Assembly  
Csanád Végh, Deputy President of the General Assembly

### Introduction:

Generally speaking, illicit trade is being regarded as a process involving several activities where the ultimate goal is the delivery of goods to consumers in violation of applicable laws. The expression 'illicit trade' not only refers to the actual trade of different products such as tobacco, light arms or drugs but also to any practice or conduct prohibited by law which relates to the production, shipment, receipt, possession, distribution, sale and purchase of these goods. Every transmission that violates the certain country or countries laws regarding the manufacture, transportation, sale or even the possession of basically anything is called illicit trade or black market trade.

Illegal trade in all its aspects is not just an international problem but occurs in most countries internally. Products of popular and expensive brands sold for a significantly lower price in smaller shops, stands near to popular tourist destinations or even in underpasses are either counterfeits or stolen. Not registered tobacco shops, where people can buy cigarettes cheaper than usual or where underage people can purchase them are appearing occasionally in those countries where the regulations on tobacco products are more specified.

Illegal trafficking is a serious and growing threat to society. Through smuggling, counterfeit and tax evasion, governments are losing billions in lost tax revenues, legitimate businesses are being undermined, and consumers are being exposed to poorly made and unregulated products. According to the United Nations Office on Drugs and Crime transnational organized crime is a \$870 billion a year business. The three main branches of black market may be human, drug and weapon trafficking.

### Definition of key terms:

**Illicit trafficking:** Illegally trading, selling or dealing with specified goods.

**Black market:** An illegal traffic or trade in officially controlled or scarce commodities.

**Dark net:** A computer network with restricted access that is used chiefly for illegal peer-to-peer file sharing.

**Smuggling:** Moving goods illegally into or out of a country.

**Small arms:** Portable firearms, especially rifles, pistols, and light machine guns.

**Drug:** A medicine or other substance which has a physiological effect when ingested or otherwise introduced into the body.

**Counterfeit:** Falsification of products, illegal manufacturing.

**Tax leakage:** Products manufactured legally but the required taxes were not paid in the country of production. Most common in alcoholic drinks, tobacco products and highly taxed products.

**Resell:** Trade of expired products for example pharmaceuticals and food

**Artisanal:** Homemade products or goods not made in obligatory framework. If made for commercial purposes it is illegal.

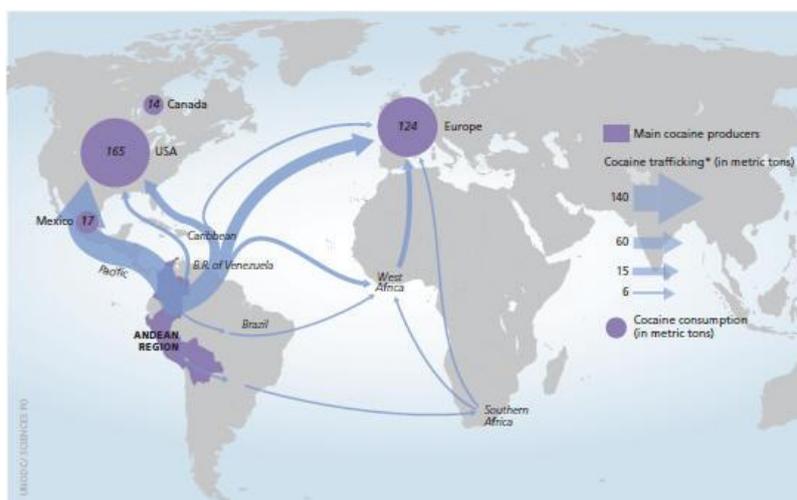
**The Balkan Route:** Main trading route used for mainly trafficking drugs illegally from the Near and Middle East through South-East and South-West Europe.

**The Northern Route:** Trading route for the same purpose mentioned above, mainly for drugs.

### General overview:

Despite the efforts of global organisations, governments and companies in controlling illicit trade, the phenomenon continues to be a latent threat for the global economy. Transnational criminal networks profit from trafficking and illegal trade in narcotics, arms, persons, tobacco, counterfeit consumer goods, and wildlife. Billions of dollars from these activities flow through the global economy each year, distorting local economies, diminishing legitimate business revenues, eroding social conditions and fuelling conflicts.

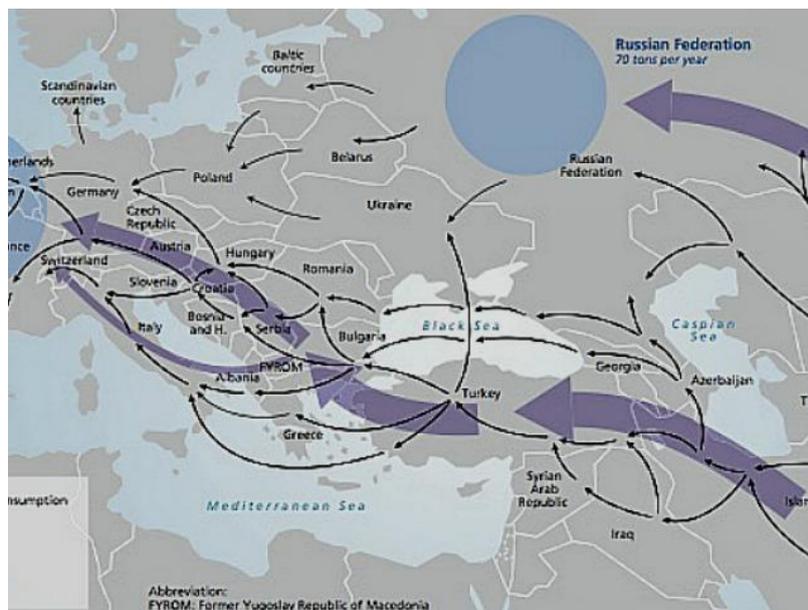
Drug trade is one of the main branches of illicit trade. It effects societies in the means that where illegal drug flows through in the highest amount, the violent crimes and murders rate also seems to be higher and higher. For example, Honduras, where an estimated 79% of cocaine passes through on its way to the United States, has the highest murder rate in the world. According to the International Crisis Group, the most violent regions in Central America, are highly in rapport with the drug trafficking activity.



Main global cocaine flows 2008, UNODC World Drug Report 2010

## Routes and the flow of drugs in the Balkan, the Middle-East and South-West Asia:

For the time being, world heroin consumption represents a flow of 430-450 tons into the global heroin market yearly. Of that total, opium from Myanmar and the Lao People's Democratic Republic supply around 50 tons, while the rest, at least 380 tons of heroin and morphine, is produced solely from opium from Afghanistan. In spite of that approximately only 5 tons are consumed in Afghanistan, the remaining quantity is trafficked worldwide via routes flowing into and through the countries neighbouring Afghanistan.



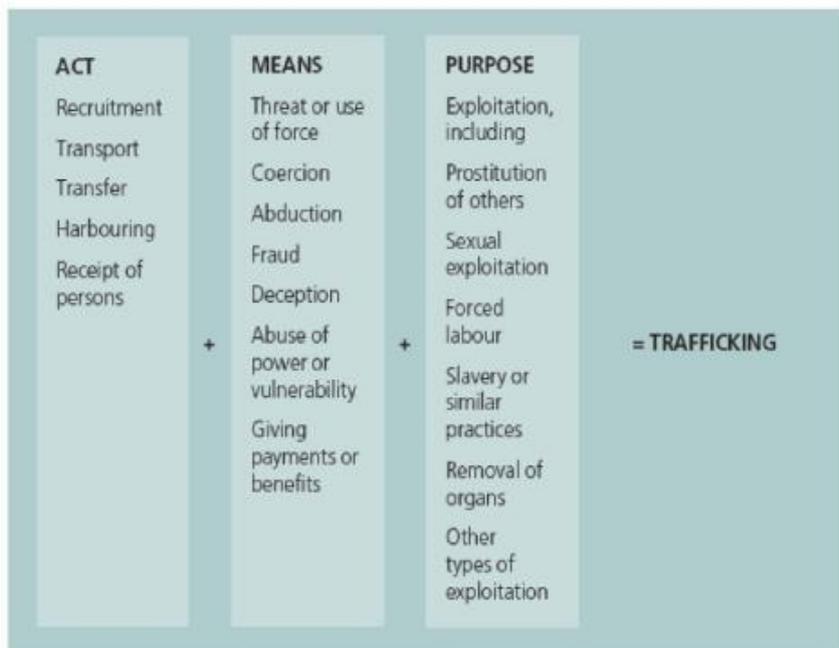
”The Balkan Route” heroin passing in the Middle-East, The Balkan and Europe

A direct consequence of illegal drug trade is that the number of the consumers is increasing rapidly. Furthermore, the number of overdose deaths has increased dramatically over the past decade. Overdose is now the leading cause of injury death in the U.S. The deaths caused by drug overdose doubled in the US between 2000 and 2015 and significantly increased in other parts of the world also. This phenomenon is affecting mostly people between 17 and 25 years.

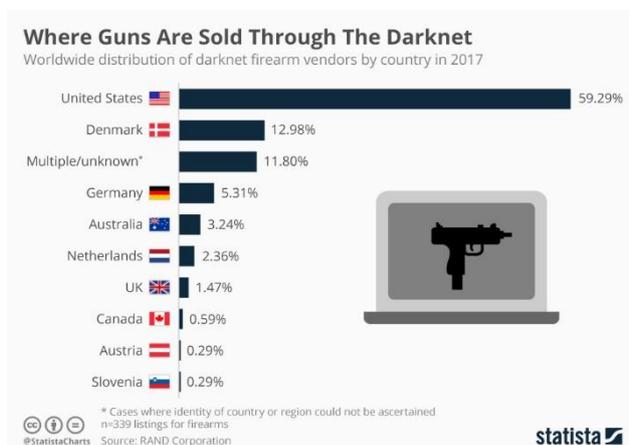
Human trafficking is another leading problem within black market trade since it violates basic human rights. It has a brief meaning, as exploitation can be done in several ways, such as: forced labour, sexual slavery, forced criminality and forced marriage. It can be stated that these deeds can be considered as modern slavery. Unfortunately, both men and women are affected, some of them from a very early age. To see these facts in numbers, an estimation has been made by The United Nations Office for Drugs and Crime (UNODC).

- 51% of identified victims of trafficking are women, 28% children and 21% men
- 72% of people exploited in the sex industry are women
- 63% of identified traffickers were men and 37% women
- 43% of victims are trafficked domestically within national borders

As it can be seen, trafficking does not require crossing country borders, it just as well happens within the country, or even community.



Illicit trade in weapons and light arms is surely not negligible as previous events show in Rio de Janeiro. On 1 June 2017, police in Rio de Janeiro intercepted a shipment of 60 automatic rifles from a container in the cargo section at Galeão International Airport: 45 weapons of a type similar to an AK-47 (all manufactured in the United States), one G3-equivalent and 14 rifles akin to an AR-10. The weapons were hidden in a container of pool heaters that had been disassembled. By removing components from the pool heaters and making up for the lost weight by loading in the rifles, the container's weight appeared correct. However, an X-ray machine detected the irregular contents. The Rio State Security Secretary called the seizure, the "biggest in ten years" in Rio de Janeiro, noting that 250 automatic rifles had been confiscated in the past five months. Due to severe budget constraints on state police, their representatives indicated they would use the weapons instead of destroying them. At the time of, and shortly after the seizure, four Brazilians were arrested.





This event is only one of the many that happen all around the globe. This represents how easy it is to smuggle such dangerous objects in the countries where monitoring the shipments is not so frequent or thoroughgoing. After this everyone can imagine how simple it is to obtain weapons even for a normal citizen. The insufficient supervision of shipments facilitates the commission of crimes, robberies, terrorist activities etc.

The so called Free Trade Zones (FTZ) are defined as a specific class of special economic zone. A geographical area where goods may be sorted, handled, manufactured under specific customs regulation and generally not subject to customs duty. The primary purpose of a free-trade zone is to remove from a seaport, airport, or border those hindrances to trade caused by high tariffs and complex customs regulations. Free trade zones facilitate trade by providing advantages to business with respect to tariffs, financing, ownership, taxes and other regulatory measures that would otherwise be applicable in the host country. However, the limited institutional capacities to oversee FTZs activities in many countries can often lead to growth of illicit trade, and other forms of criminality, such as fraud and money laundering. These activities benefit from the lack of sufficient oversight within FTZs, enabling illicit businesses to reap the financial benefits of zones, with lower risks of measures being taken to curb their activities. Without further actions from governments to increase oversight and transparency in FTZs, criminal elements will continue to use zones to exploit the shortcomings in institutional law enforcement capacities.

Consequences of illicit trade affects everyone who is involved in such act even if the individual is only poorly connected. Among its many destructive consequences, the illicit trade abates governments tax revenues, undermines the legitimacy of legal industries' business, puts consumers in the danger of buying products often manufactured or supplied between unhealthy circumstances, further develops corruption in countries where black market trade is already flourishing, makes it easier for the underage to access drugs and tobacco products, poses threats to the society and to national security by being the major source of income for international criminal groups for example drug cartels and reduces the effectiveness of public health policies.

### Major Parties Involved:

**United States of America:** The country most affected by illicit trade, popular destination country for smugglers with a black market value of \$625.63 billion in 2017. Illegal trade often occurs between its states mostly in cigarettes and alcohol. There has been no significant act to combat smuggling between states.

**Belarus:** Statistics show that this country is most affected by human trafficking. Belarus is both a destination and a derivation country.

**World Customs Organization:** In 2004 the World Customs Organization (WCO) launched a project, called "Project Crocodile" which is to detect suspicious shipments through a mechanism of export and arrival, notify possible destination and transition countries and ascertain popular routes of smugglers from departure to destination. Twenty-four Customs administrations have participated including Australia, China, Japan, Pakistan and Vietnam. The WCO has also released a Counter-Terrorism Strategy in July 2016, meant to enhance the capacity of Customs administrations to manage border-security related threats. Also constantly working to combat illicit trade in all its aspects.

**INTERPOL:** is working to identify, disrupt and dismantle transnational organized crime networks behind the trafficking of illicit goods.



## Timeline of events:

<b>1952</b>	World Customs Organization
<b>1995</b>	International Crisis Group
<b>1997</b>	UNODC
<b>1<sup>st</sup> July 2003</b>	Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects
<b>2<sup>nd</sup> December 2009</b>	United Nations General Assembly adopted Resolution on the illicit trade in small arms and light weapons (A/RES/64/50)
<b>8<sup>th</sup> November 2012</b>	Resolution on INTERPOL Programme to Combat Trafficking in Illicit Goods
<b>15-31<sup>st</sup> August 2015</b>	INTERPOL's Operation Jupiter VII
<b>October-December 2017</b>	WCO's Operation ATHENA

## Previous attempts to solve the issue:

**INTERPOL's Operation Jupiter VII:** INTERPOL had more than ten successful operations regarding illicit trade from 2015-2017. Coordinated by INTERPOL, Operation Jupiter VII (15 – 31 August 2015) involved almost 2,000 raids in 11 countries which sought to dismantle illicit factories and supply chains.

The operation led to the seizure of some 800,000 fake goods worth approximately \$130 million, with 805 people either arrested or placed under investigation.

Seized goods included clothing, fertilizers, windshields, alcoholic beverages, cigarettes, cosmetics, electric and electronic components, mobile phones, accessories, fuel, and construction materials. "Operations such as Jupiter VII show what can be achieved when law enforcement agencies collaborate against the criminal groups involved in illicit trade," said INTERPOL Executive Director of Police Services Tim Morris.

During the operation, police in Colombia notably arrested John Jairo Hincapie Ramirez, the subject of an INTERPOL Red Notice who is wanted in the United States on charges of money laundering in connection with trafficking in illicit goods and counterfeiting.

Countries which took part in the operation: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela.

**WCO's Operation ATHENA in cooperation with INTERPOL:** The operation took place from October to early December 2017 and saw the involvement of police forces from 81 countries. Operation ATHENA is focused on the illicit trafficking, theft and internet sales of cultural objects. Over 41 000 cultural goods such as coins, paintings, archaeological and paleontological objects, books and manuscripts and sculptures were seized all over the world as a result of coordinated law enforcement actions. As a result, more than 200 investigations were opened and 53 people arrested.



**The Organization for Economic Co-operation and Development (OECD)'s Executive summary on Governance Frameworks to Counter Illicit Trade:** The analysis identifies a number of policy areas to combat illicit trade and related criminal activities in FTZs, including:

- Improving zone supervision, by
  - i) expanding information requirements for goods moving through zones,
  - ii) penalising misuse of zones,
  - iii) enhancing security screenings, and
  - iv) maintaining adequate numbers of officials with ex-official authority to supervise or control FTZs (or free zones) within their customs territory and according to the applicable provisions.
- Strengthening cooperation with stakeholders and encouraging of development codes of conduct for FTZs.
- Enhancing formal responsibilities of zone operators.
- Streamlining customs procedures.
- Ensuring wide participation of countries in FTZ-related discussions.

### Possible solutions and approaches:

For an effective response to illicit trade the following standpoints are to be considered.

Firstly, developing public-private partnerships. Increasingly, illegal trade is proceeding in cyberspace, which is controlled by private companies rather than governments. Partnerships with the private sector are also crucial because many of the illicit commodities traded compete directly with legitimate economy. Companies have the insights and the resources to probe deeply into the dynamics of illicit trade and have the motivation to be partners in this activity.

Secondly enhancing cooperation with law enforcement. Training of law enforcement officers in this particular area already exists and we have to continue maintain and support training and collaborative relationships. Extensive programs already exist in the terrorism area, and more could be done to combat the diverse forms of illicit trade.

Last but not least supporting nongovernmental organizations (NGOs) on the ground. NGOs have proven effective partners in fighting human trafficking and providing aid to victims. This has significantly boosted civil society. Much more can be done in working with civil society groups that are trying to protect wildlife, establishing associations to help uneducated farmers avoid purchasing counterfeit pesticides and seeds, and providing means for purchasers of medicines to ensure that they receive authentic products rather than counterfeits.



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## Annex:

Approved resolution on INTERPOL Programme to Combat Trafficking in Illicit Goods

<https://www.interpol.int/content/download/18746/167190/version/1/file/AG-2012-RES-09.pdf>

Resolution by the General Assembly on trafficking of small arms in all its aspects

[http://www.un.org/ga/search/view\\_doc.asp?symbol=A/RES/64/50&Lang=E](http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/64/50&Lang=E)

### Main Drivers of the Illicit Trade

Consumer Preferences	Business Conditions	Regulatory Framework
<ul style="list-style-type: none"> <li>• Lower priced products</li> <li>• Access to premium brands</li> <li>• Social acceptance of illicit trade</li> <li>• Limited knowledge about illicit products and how to identify them</li> </ul>	<ul style="list-style-type: none"> <li>• Price gap between licit and illicit products</li> <li>• High levels of excise taxes</li> <li>• Availability of ingredients and packaging materials</li> </ul>	<ul style="list-style-type: none"> <li>• Ineffective enforcement</li> <li>• Weak rule of law</li> <li>• Corruption</li> <li>• Inadequate sanctions</li> </ul>

Source: Euromonitor International