

# Charting Illicit Trade: OECD Task Force In Action

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## I – What Do We Know? What Do We Want? What Can We Do?

### 1. *Wide-ranging Agreement on the Problem*

**A. The OECD provides a suitable medium to tackle the persistent and complex problem of charting illicit trade**, organised in the context of the OECD High Level Risk Forum, which seeks to “increase societal resilience to pressing global threats such as national disasters, pandemics, financial crises, terrorism and cyber attacks” via the Task Force on Charting Illicit Trade (TF-CIT).<sup>1</sup>

**B. The scale of the damage resulting from illicit trade worldwide gives TF-CIT members cause for concern** with respect to the “Illegal economy... criminalized markets, their consequences and harms... disruption to supply chains... weakening of market activities... distorting local economies... fueling conflicts... undermining the rule of law... corruption... threatening the health and safety of communities... significant damage to the world financial system... exploitation of weakly governed territories, etc.”

“Illicit trade infringes the rules, laws, regulations, licences, taxation systems, embargoes and procedures that countries use to

organise trade, protect their citizens, raise the standards of living and enforce codes of ethics... In the coming years, global illicit trade is expected to become even more extensive and complex... Illicit trade as a growing global threat, a quickly evolving global risk.”

It is now clear that illicit trade—more than other forms of cross-border crime—represents between 8% and 15% of global gross domestic product (GDP) (as a result of activities such as trafficking in human beings, drugs and counterfeit consumer goods<sup>2</sup> as well as crimes against the environment<sup>3</sup>), and that such activities significantly handicap world trade, governments and the global human environment:

*World trade:* increased surveillance of supply chains; compliance; costs related to the health of consumers (legal proceedings); tarnished reputations; infringement of copyright; insurance; heightened security; etc.

*Governments:* loss of tax revenues resulting from smuggling/counterfeiting (cigarettes, etc.); stripping natural resources (wood, minerals, fishing, etc.); invoice fraud leading to loss of capital; etc.

<sup>1</sup> This quotation and all those that follow are taken from documents issued by the TF-CIT since autumn 2012: *Mapping of the illegal economy*, 23/10/2012, OECD High Level Risk Forum; *Factors driving illicit trade*, 25/10/2012, OECD High Level Risk Forum; *Statement prepared for the OECD High Level Risk Forum*, David Luna, State Department, 26/10/2012; OECD Task Force on Charting Illicit Trade, 2-3/4/2013; OECD-TF-CIT chair's update, November 2013. See also: WEF, 22-25/01/14, *Out of the shadows, why illicit trade and organized crime matter to us all*; and The Independent (Irl.), 28/10/12, *Illegal trade costs state €860 million in lost revenue*.

<sup>2</sup> Counterfeiting involves the production of illegal copies of legal goods (food, cosmetics, etc.).

<sup>3</sup> [UNODC, World Drug Report] “Illicit drugs alone represent more than 400 billion a year... Hundreds of billions of illegal revenue from these activities are estimated to flow through the global economy every year.”

<sup>4</sup> Ireland provides one concrete example, where revenues from cigarette smuggling are valued at €3 million *per week*; a container of 7.5 million cigarettes generates a profit of €1.3 million. Trafficking is just as big a burden on the Irish medical and sportswear markets.

*Global human environment:* counterfeit drugs, fertilisers, health products; forced labour; theft of protected animal and plant species; etc.<sup>4</sup>

**C. There is extensive agreement on who is responsible for illicit trade and who benefits from such practices:** Who runs this illicit trade? Is this illegal economy a spontaneous generation phenomenon? No, “transnational networks... criminal entrepreneurs...illicit traders.”

The various documents analysed here clearly identify those responsible for undermining the global economy: “Actors involved in illicit trade activities...illicit/criminal transnational networks/traders... lethal nexus of organized crime, narco-trafficking and terrorism...transnational organized crime, etc.”

As for the reasons for the phenomenon: “Economic globalization created opportunities for criminal networks to increase profits... both the scale and the geographical scope of this phenomenon being unprecedented... A clear and present danger.”

**D. There is also general agreement on the end goal of the TF-CIT:** “Make things better in the future... counter or mitigate the operations of transnational organized crime... Identify and quantify risks and harms related to illicit trade activities...We must shut down the illegal economy and criminalized markets and put criminal entrepreneurs and illicit networks out of business...reduce, monitor, control or otherwise prevent illicit trade, at the level of production, transit and consumption.”

**E. There is also broad agreement on the manner in which the TF-CIT should achieve its end goal and diagnose the situation in a timely manner:** “[We need] to identify and quan-

tify risks and harms related to illicit trade activities that generate revenue for a global illegal economy... a clearer understanding of the economic, geographic, technological and policy conditions that drive or enable it... tools to combat illicit trade and transnational networks.”

(a) *Diagnoses:* “Identify the broad scope of illicit trade activities, of vulnerabilities... evidence-based research...quantify the market value of illicit trade activities...Fill the knowledge gaps...measure the true economic cost of illicit trade to business... Enhance detection capabilities...map, measure, monitor, manage and mitigate future harms of the illegal economy.”

(b) *Action:* “Further international efforts and coordinate forces...Exchange of information...Data & information sharing... Concrete actions.”

## 2. Areas Requiring Further Expansion and Greater Clarification

According to the available literature on “illicit trade activities”—and on what the concept covers and causes, what it stems from and why it is currently so successful—it seems appropriate to go beyond the aforementioned initiatives to add a number of more detailed points designed to help the TF-CIT avoid subsequent analytical problems in terms of mapping illicit trade and in defining relevant punitive measures.

The TF-CIT targets the “global illegal economy and transnational criminal markets”, which are “trafficking drugs, arms, toxic waste, stolen natural resources, counterfeit goods, protected animal parts, etc.”

However, *illicit* trafficking of *illicit* goods is only part of the problem. The issue is also compounded by *illicit* trafficking of

<sup>5</sup> *The Mortgage Introducer*, 7/02/13—“Latest fraud figures should sound alarm bells.”

licit goods and services including tobacco, alcohol, human beings and prescription drugs not used for their intended purpose. In addition, many offences in the business world are committed not by criminals but by the companies' own employees and executives: according to the UK fraud-prevention service (CIFAS), 43% of thefts committed in 2012 in the work environment came from inside, rather than outside, the workplace.<sup>5</sup>

According to specialist economists, the matter of illicit trade and the "illicit economy" is not a black-and-white issue: it cannot be dissected neatly with a scalpel under the watchful gaze of students; it cannot be taken apart like an engine at the hands of skilled mechanics. In contrast, illicit trade and the "illicit economy" are aspects of the informal economy: a complex spectrum with a wealth of different shades and hues, from the pale grey of undeclared labour to the pitch black of heroine deals, with every imaginable illicit practice in between.

It is helpful to expand on this point in terms of the definition of the shadow/informal economy.<sup>6</sup>

The first point of note is that this is a vast issue: "At the end of the twentieth century, up to 30 million people performed shadow work in the EU and up to 48 million in the OECD... Shadow economy varies between less than 8% of national income, and over 30% [of the same], in OECD countries... there is no exact measure of the size of

the shadow economy (*op. cit.*, note 5)."

Definition: "Market-based production of goods and services, whether legal or illegal, that escapes detection in the official estimates of the GDP... Activities, and the income derived from them, that circumvent or otherwise avoid government regulation, taxation or observation."

*Grey economy*: illicit, untaxed, unregulated; moonlighting; undeclared bonuses and benefits, bartering and odd jobs (babysitting).

*Black economy*: licit products stolen or sold not for their intended purpose (buying and selling tobacco and alcohol to take advantage of tax differentials); drug production and trafficking; prostitution; illegal gambling; counterfeiting/smuggling; fraud, trafficking in human beings and arms. While there is no real working drawing for the illegal economy, things are no clearer or immutable in terms of its key driver, organised crime. On the contrary, organised crime is in a constant state of flux as a result of myriad different factors (such as opportunism) that fall outside the scope of this study.

In just the past decade, criminal entities have expanded into the illicit trade in waste and cheap labour,<sup>7</sup> match-fixing and corruption in professional sport, and trafficking in human organs and legal/counterfeit pharmaceuticals. More recently, these same criminals—and others—have infiltrat-

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<sup>6</sup> *The Shadow Economy*, Friedrich Schneider & Colin C. Williams, Institute of Economic Affairs (IEA), Westminster, London, 2013.

<sup>7</sup> *European Parliament resolution of 11 June 2013 on Organised crime, corruption and money laundering*: "The total number of forced labourers in the Member States is estimated at 880,000, of whom 30% are estimated to be victims of sexual exploitation and 70% victims of forced labour exploitation."

<sup>8</sup> In April 2013, the Italian government confiscated \$1.7 billion dollars in mafia assets, including 43 companies operating solar arrays and wind farms, all linked to the Sicilian mafia boss, Vito Nicastrì, aka "the Lord of Wind". Such practices hold huge appeal for the mafia as a result of huge grants, minimal regulation and installation of alternative energies such as sun and wind in southern Italy. See OilPrice.com: "Renewable energy, the mafia's newest playground."

ed a wide array of trades and professions, including public works, transport, mass retail, adult entertainment,<sup>8</sup> alternative energy and even private security.

### 3. What Can We Do? And How Can We Do It Effectively?

Based on this new framework, what can we do to better identify and combat illicit trade more swiftly? Efforts in 2012 and 2013 have included identifying the broad scope of illicit trade activities, addressing the need for data and information sharing, identifying vulnerabilities, conducting evidence-based research, combating illicit trade and transnational networks, quantifying the market value of illicit trade activities on a sectoral and global basis, deepening an understanding of the risks presented by transnational illicit networks and the interaction among illicit and legitimate flows of goods, people, capital and information, and the security of the legitimate supply chain.

So what has been the strategy so far?

“Address the lack of good data and information on the impact of organised crime and illicit trade... Fill the knowledge gaps... [Create a] methodology to measure the true economic cost of illicit trade to businesses, markets, economies and governments... [Gather] quantitative data on the market value of illicit trade activities on a sectoral and global basis... [Analyse] the extent to which the legal and the illegal economy intersect in illicit trade... Increase private sector access to open-source data... Data and information sharing... Deepen current understanding of the conditions that facilitate transnational illicit markets... Mapping of the volume, flows and trends of illicit traded goods... quantitative metrics... pragmatic mapping tools, etc.”

In short, the TF-CIT must draw up a simple, clear methodology designed to mea-

sure illicit trade, sector by sector, providing new tools able to combat the problem. This is clearly an important goal but there is no shortage of obstacles.

As we saw earlier, the criminal world is in many ways *an unknown entity*. Far from the safe, clearly defined, unchanging practices of lawful pursuits, it is constantly shifting and hiding its tracks: it has no long-term view. At any given time, it comprises an unstable mass of opportunist predators, growing through waves of repression and internal struggles; chaotic by nature, it cannot be—and undoubtedly never will be—definitively measurable or quantifiable, even at a fixed point in time.

Given these myriad, sudden changes, it is impossible to extract any variables that could then be compiled into a matrix, modelled using algorithms or reproduced as sophisticated graphs. While regularity and fixity are vital to the licit economy, with its accounts, financial statements and supply chains, these same virtues are, by definition, a deadly threat to any party operating outside the law, on a small or a large scale. Any criminal who becomes definite and stable—and therefore *predictable*—will soon find himself behind bars (prosecuted) or dead (at the hands of rivals).

In short, it would be a mistake to picture global trade as a two-sided coin, with “heads” illicit and “tails” licit. We must avoid lapsing into a dual contradiction that would stymie any progress:

- if we based the real need of the TF-CIT to detect and anticipate solely on the retrospective collection of past data,
- if future TF-CIT diagnoses ignored the (Darwinian) nature of organised crime that leaves little scope for detection and is hard to predict, without the right expertise.

As all experienced criminologists are aware, we have no choice but to recognise the mobile nature of organised crime: it is not a fixed entity but a moving target. Past data, no matter how methodically gathered, will give no indication of future criminal developments. We must predict and prevent, anticipate and identify these developments as early and as quickly as possible.

The European Parliament made this clear in a recent resolution (11/06/2013, op. cit., note 7), after 2 years of work and with the help of Italy's top experts: "In order to defeat organised and Mafia-style crime... it is necessary not only to react to such criminal activity but also to make major efforts to prevent it...[and conduct] analyses seeking to identify emerging organised crime trends."

Mapping and measuring illicit flows is clearly crucial yet is also retroactive. In addition, it is vital that we provide the TF-CIT with a system of early detection of criminal threats defined as anything that already threatens companies and may threaten them further tomorrow. This is a goal that our criminologists are able to achieve. They are naturally at the disposal of the TF-CIT.

Now let us consider the second major field of work for the TF-CIT: analysing and taking account of illicit trade and related challenges for the law.

## II—Illicit Trade and the Challenges for the Law

### 1. *What is Illicit Trade?*

Crime detection with regard to illicit trade is a challenge to the law in itself as the term initially describes an unwanted phenomenon in first instance. Detecting this phenomenon from a criminal

standpoint involves identifying the different manifestations of illicit trade. Part of this process is to mention the diverse fields of activity that range from long-standing practices—such as the trade in drugs, arms and cars—to new, lucrative business areas like the illicit trade in pesticides or medicine. Organised crime is undeniably spreading more and more into these new areas. In January 2012, Europol reported that the trade in illegal and counterfeit pesticides had become one of the fastest-growing areas of organised crime within the European Union (EU), driven by incentives such as the low risk of detection and the high level of profitability.

If the law wants to "sanction" these phenomena, it must provide the necessary tools to do so, with respect to offences under criminal law, investigative powers under procedural law and effective legal assistance for cross-border cases. Tools such as clear offences and investigative powers have already been provided in many countries but, as a general rule, they leave significant scope for improvement. The problem is compounded by the existence of contrasting methods of prosecution between the 28 member states, which makes the fight against illicit trade more difficult. International and European legal requirements are needed to ensure that these tools are provided, which the member states must transpose into national law—a process that can often take several years, which is clearly a problem.

Since criminal law can only be a last resort—*ultima ratio*—in penalising unwanted practices in a constitutional state, other areas of the law should not be disregarded. Trade restrictions must be clearly defined from a civil and administrative standpoint, with violations punishable by fines or criminal prosecution as a last resort. Any specific cases with regard to illicit

trade must be given due consideration. That involves determining to what extent trade in a commodity represents a danger to the civilian population. This danger point must be attributed to the act of a person. At this point, the law is tasked with declaring this action illegal because of its threat and taking the relevant legal measures available. The repacking of pesticides for trading purposes is a focal point in this respect given the high risk that illegal goods be imported under the name of goods that belong to the legitimate economy. The illegal trade in medicine over the internet has also become a profitable operation because of the scope for anonymity and the distance between the perpetrator and the victims. It falls to criminal law to define the threat posed by such practices.

Empirical studies and experiences can help determine whether such practices pose a danger. For example, driving under the influence of alcohol or drugs is dangerous because of the potential harm to others and the risk to other traffic on the road. Similarly, the illegal possession of arms is dangerous because of the inability to control the spread of dangerous weapons; the illegal arms trade is dangerous because of the inherent increase in the uncontrolled spread of dangerous goods. Criminal law can define the threat of these actions with incriminations and it could distinguish between abstract and concrete endangerment offences, for example.

## ***2. Challenges for the Law***

**T**here are many facets to this illicit trade, which leads to the primary challenge for the law as it seeks to identify and analyse threat points and then implement solutions. These solutions can range from prohibition on an administrative level to sanctions including criminal

penalties. Any legal solution to such problems can only succeed through a holistic approach. That means involving all players—science, practice and economy—in the problem-solving process to prevent the risks related to illicit trade. Involving all stakeholders requires the formation of groups of experts, which should discuss relevant issues, perform risk analysis and develop recommendations. Currently, this approach is not fully enforced. To date, not enough experts have been involved in law-related discussions. Law enforcement and its expertise should be included in research projects. It is crucial to seek joint cooperation to analyse the current threat situation and work out solutions (recommended action plans).

With regard to new forms of illicit trade, such as drug crime, the law has so far been unable to comprehensively present potential risks of abuse due to the increasing availability of mail-order medicine. As a result, it has also been unable to analyse the resulting challenges for law-enforcement agencies or target effective law-enforcement strategies to combat internet-protected pharmaceutical crime.

One reason the law faces difficulties in coping with illicit trade is the partial lack of harmonisation of legislation. At the very least, this affects the ability to process cross-border cases of illicit trade. Generally, legal assistance only comes into effect if the practice in question is punishable according to the “dual-criminality” principle in both the requesting and the requested states. Difficulties are encountered from the outset when investigating authorities are unfamiliar with the relevant laws of other countries. In addition, relevant regulations in some countries are scattered between numerous supplementary laws, which leads to significant fragmentation. However, due to the EU influence on market-controlled regulations, the legislature has chosen to apply highly complex methods of control in some key

areas such as the reference procedure for criminal offences or fines. These methods of control should be called into question, since they endanger “normative clarity” and therefore the deterrent effect of a norm. All of these difficulties have a huge impact on practical law-enforcement activities and may even impair them.

Moreover, current harmonisation measures within the EU also suffer from fragmentation and do not cover basic areas such as the subjective aspect of an offence or the penalty system. Despite significant improvements in legislative resources on an EU level by the European Parliament and Council following the Lisbon Treaty to effectively tackle crime, including computer crime (see Article 83 of the Lisbon Treaty), a unified criminal law within all EU member states is not a realistic prospect in the immediate future due to limitations in harmonising competences on minimum requirements. As a result, comprehensive surveys based on the relevant criminal case norms and comparable law standards will not lose their relevance. Nevertheless, the current harmonisation of competences should be used to achieve an improvement in the legal situation, at least in the EU.

### ***3. Ways to Solve Legal Problems***

**E**ach legal regulation must be based on a comprehensive database including all types of illicit trade. That means compiling information on the current legal reality in terms of key perpetrators and their structures in given areas of illicit trade. In Germany, for instance, the land office of criminal investigations or the federal criminal police office could establish such a data bank on a national level. Europol could compile the same resource on an international level. The introduction of an indicator on forms of illicit trade would

help to monitor relevant effects. This would involve identifying factors such as perpetrator structures, victim structures, damages, related resources and distribution channels. This is empirical research. The purpose of the database is to enable a targeted, efficient and sustainable fight against illicit trade.

Relevant standards governing crimes and criminal procedure must also be described, compared and evaluated through a three-tier approach comprising (1) national level; (2) level of the 28 EU member states; and (3) international level. In addition, alternative models for prevention in the fields of public law and private law must be established and evaluated. Cooperation with the private economy is essential, given its importance in providing and developing effective security technologies. The private economy can play a special role in expert groups and develop technical solutions (e.g. databases): we should use its “know-how” to combat illicit trade. For example, tamper-proof labelling can help to hamper the illicit trade in some products.

Incentives for those involved in illicit trade stem from the low risk of detection and the high level of profitability. Any attempt to change the circumstances in this area must start at these two facts: trading must be made unattractive; transactions must no longer be worthwhile and profits no longer reinvested. Such practices must be rendered unprofitable. Practical legal regulations need to be created to eliminate profits from illicit trade and remove them from the economic cycle. It is still possible to impose commercial sanctions like the prohibition of further trade activity.

There are already legal instruments to achieve these goals and the EU has passed laws to prevent abuses. However, these tools have proven too ineffective and their impact on organised crime is uncertain. They need to be adapted according to demand.

Illicit trade stretches beyond the borders of the EU. Aspects such as criminal structures, which can easily develop, and less prosecution favour illicit trade outside of the EU. Therefore, it is of particular importance that we implement a human rights treaty on an international level and establish a common legal framework, as well as developing preventive models and strategies. To prevent the various forms of illicit trade, it is essential that prosecutors cooperate closely on a national and international level.

### III – Illicit Trade and Public Policies

The way in which policymakers respond to trafficking is often undermined by official hypocrisy. For many years, offshore platforms were used to circumvent taxes and to support commissions and kickbacks, while masking assets linked to criminal activities. Since deregulation in the nineties, there has been an acceleration in the collapse of financial sectors and the emergence of new contributors to the shadow economy.

Despite—or perhaps because of—the 2008 crisis, criminal activities have become increasingly profitable. Illicit business is little affected by economic shocks and is free to select its markets, invest in R&D, offer incentives to its top salespeople, develop catchment areas and reap significant

margins while learning the tricks of active investors. The only difference is that its approach to dealing with competitors is somewhat more “definitive” than in the conventional economy.

Through the “Yakuza recession” of the eighties, the US Savings & Loans crisis of the same period, and subsequent events in Mexico, Russian and Thailand, a series of financial crises with criminal overtones has rattled the world’s biggest nations. All of this has happened under the nose of seemingly oblivious central regulators, despite the fact that though the International Monetary Fund estimates dirty money to represent somewhere between 1% and 5% of global GDP. The criminal underworld has become a key player in international finance.

Criminal organisations started small, to test the market. They began with a few hundred thousand francs before ramping up to the theft of several thousand billion euros after 40 years of honing their practices. Just like the Ponzi scheme that will soon celebrate a century of swindling and seems more effective than ever. What next?

With these different misappropriations of funds on a massive scale and the creation of the Bank of Credit and Commerce International (BCCI),<sup>9</sup> the criminal sector had firmly established itself as a key economic player.

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<sup>9</sup> The Bank of Credit and Commerce International was founded in Pakistan in 1972 by Agha Hasan Abedi, from a Shiite family, with ties to the richest Arabic and Pakistani families, including Saudi Arabia’s Bin Mahfouz family, Pakistan’s Gokal family and Abu Dhabi’s Gaith Pharaon family. BCCI Holding SA was registered in Luxembourg in 1972. BCCI SA was registered in the Cayman Islands in 1975. In 1988, the BCCI subsidiary in Tampa, Florida, was implicated in drug trafficking. In July 1991, BCCI filed for bankruptcy. Time magazine called it the “dirtiest bank of all”. During its investigation into the Noriega scandal, the Senate commission chaired by future US presidential candidate Senator John Kerry noted that the BCCI was helping to launder money from the cocaine trade under General Noriega, president of Panama. In December 1992, senators John Kerry and Hank Brown, a Republican from Colorado, published *The BCCI Affair*, which covers the scandal and gives evidence of links between the BCCI and terrorist organisations. The report suggests the involvement of the Justice Department, the Treasury, customs and the Fed, along with influential lobbyists and the CIA (*The BCCI Affair*, Report to the Committee on Foreign Relations, United States Senate, Senator John Kerry and Senator Hank Brown, December 1992).

Here and there, stretching to the borders of the Balkans, the United States, Lebanon, the Persian Gulf and the UK, we are discovering or at least seemingly discovering bank branches, subsidiaries and organisations that are almost entirely used not only for conventional laundering and manipulations of markets and indices, but also criminal investments.

An “official” industry used to finance crime is now a reality. It draws on the methods and tools of conventional financial systems. None of these is really an isolated issue. Even if there is probably no centralised crime organisation in place today, methods of co-operation are developing and the influence in Europe of criminal organisations based outside of Europe is growing.

More recently, the Europol’s Organised Crime Threat Assessment (OCTA) underscored the increasingly important input of financial experts on matters related to criminal activities, given the extent to which the race for profits extends beyond pure legal or moral considerations.

The increasingly hybrid nature of criminal organisations, their ability to morph into conglomerates covering more and more sectors, their impact as a key player in times of crisis, their ability to create new opportunities and their new fields of activity are all contributing factors. There is no longer a single “grey area” somewhere on the periphery: we now face a Criminal Enterprise that has gone global and has succeeded—by slipping through all the chinks in the old world armour of backward-looking state control to establish itself as one of the most powerful economic operators on the planet. Moreover, “al-Qaeda tunnel vision” has long handicapped the campaign to combat organised crime.

The process of corruption and wilful blindness on the part of many global financiers is now visible and more often than not penalised. Yet it is done so through settlements that

have little real effect on future practices. The close ties between criminals and their banks, the oft-ignored or underestimated fraudulent aspect of financial crises for at least half a century... all of this is now coming to light. Crime accompanies, amplifies and, at times, provokes financial crises. US Attorney General Michael Mukasey’s 2008 warning that organised criminals have penetrated the markets should be taken as a clarion call.

Crime and finance no longer simply coexist side by side. Global finance is no longer solely the victim of armed attacks or the theft of information. Some have chosen to be in bed with criminals and sometimes even engage in criminal activities. The potential for profit has become a powerful incentive for the growth in illicit activities, well beyond the scope of traditional “tax optimisation” which, for many well-established banks, was enough to warrant the existence of offshore financial centres.

Drawing up effective public policies requires an initial consensus on the underlying issues that always impact on political decisions. We cannot successfully deal with tax havens without first addressing the problem of commissions and kickbacks, especially from the arms trade.

No tax haven can long withstand the determined action of major countries that are the victims of such “optimisation”, now a fancy euphemism for fraud. However, that also means ensuring that these countries do not also have their own offshore/inshore operations and have enough foresight to check what is on their own doorstep.

Dangerous fakes are part of the problem. There are three types:

1. The “real-fake” (a genuine product stolen from its usual distribution network, generally with the help of the manufacturer, to avoid paying taxes, which mainly threatens the public purse);

2. The “fake-real” (a fake product made to look like the genuine article, generally to avoid paying fees with regard to copyright and trademarks, which mainly threatens the original manufacturer);
3. The “fake-fake” (a fake product that is useless or dangerous, which mainly threatens the consumer).

Each of these fake products requires a different response, along with interest groups whose make-up cannot on the face of it anticipate the bona fide nature of all participants. That means moving away from ready-made public policies applied in a copy-and-paste fashion in favour of more tailored policies, which will naturally involve taking into account specific local requirements.

Public policy is not a lesson in morals or ethics. Governments are not (yet) NGOs and are forced to juggle conflicting priorities. Should they build fewer diesel engines to protect citizens’ long-term health or—to prevent a crisis in the immediate future—grant major tax breaks for diesel vehicles and pump prices to protect an ailing automotive industry? This is just one of countless issues to be tackled.

Priorities include hybridisation, drug addiction, food quality, fiscal traceability, operational intelligence on a local level, etc. These issues are handled with varying degrees of courage and willingness depending on the date of the next election (which always seems too close). However, when the crisis erupts, we need to move with a sense of urgency. This provides a small window of opportunity to move forward and make up for lost time or a lack of action, resulting from weakness or fear.

In this respect, new technologies have a crucial part to play. To validate or in-

validate the human intuition that is the only means of detecting and unearthing new developments and moving away from the retrospective approach that involves preparing for the previous battle (already lost) instead of the next.

Today, the scale of the crisis has closed that window of opportunity. We place restrictions on legal financial transactions while shadow banking expands unchecked. We tax transactions and shadow trading thrives. This all occurs quite openly, of course, since governments are accustomed to helping with one hand what they hold back with the other. When both hands move with the same sense of purpose, then the time for law and order will return.

To plan a consistent approach, the introduction of an international agreement between major powers directly dealing with fraud would pave the way for a virtuous cycle of initiatives. The United States, China, India, Russia, Germany, the UK, France, Italy, Turkey, Saudi Arabia, Canada, Brazil and South Africa could—at the request of the OECD—create an interest group to combat fraud and encourage international organisations to introduce a binding system of international negotiations, backed by a tool for early analysis and monitoring of these issues, while at the same time removing those systems that currently make it possible to escape government control.