

ALVISE GIUSTINIANI

Vice President for Illicit Trade Prevention of PMI

Good morning, ladies and gentlemen. My name is Alvisе Giustiniani, I am Vice President of Illicit Trade Prevention at Philip Morris International, and I will be moderating today's panel focusing on illicit trade as a destabilizing factor for economic development.

With me I have three distinguished panelists. Laurent Marcadier, who is a former Magistrate in France and is now the Senior Advisor for Legal Affairs for LVMH in France. Then we have Carlos Moreira; he is an entrepreneur and the founder and CEO of WISeKey, a high-tech company. Before that he had a long career in the UN organization. Last but not least, Jean-Francois Thony, who is a Prosecutor-General in France and has had a distinguished career for almost 40 years, and is also President of the Siracusa International Institute, which is based in Sicily, Italy, my home country.

Before I give the floor to the panelists, let me just set the scene with a couple of points on illicit trade, since not everyone in the room may be familiar with the topic. The OECD issued a report a couple of years ago on illicit trade and quantified its dimensions: they came up with a staggering figure above USD 2 trillion around the world for the turnover in illicit trade. Of course, it is an estimate, since the criminal organizations that deal in illicit trade do not publish any statistics. When it comes to the sector that I know better, tobacco, around 10% of all cigarettes consumed around the world are illicit, that is 1 out of 10. That is a loss of tax revenues of around USD 40 billion to USD 50 billion for governments. That is the first point about the numbers and size.

The second point I want to make is on the dimension in terms of globalization. You cannot think of a product that is not traded illicitly; they range from fishery to illicitly logged timber smuggled from one country to another, tobacco, alcohol, drugs, arms... not to mention the scourge that is human trafficking and human organ trafficking. It is really a global phenomenon across the whole world, it does not know borders because products flow from one country to another. It is very easy nowadays with transportation; containers are cheap to ship from one part of the world to another. Last but not least, when it comes to globalization, the criminal organizations that deal with it are international. They often have operations in more than one country, or they cooperate with other criminal organizations in different countries, and they often also cooperate with terrorist organizations: the profits from illicit trade is one of the means of financing for terrorist groups.

The third point is the drivers of illicit trade. There are many drivers, but I would say that the biggest, the most obvious one is to make money. The money that you can make from the illicit trade is huge. To give you an example: in some parts of the world, you can buy a container of cigarettes for USD 100.000 or USD 150.000, and if it is smuggled into a high-priced country like the UK or France, it can be resold for USD 1.5 million. You need to give some of that money to the intermediaries, but USD 1.5 million for USD 100.000, you do not need to be great at math to understand that the profit is huge. Of course, criminal networks are well aware of this scheme.

The other driver is that the penalties are very low. Have you ever heard of someone being imprisoned for smuggling cigarettes? It is very rare. The reason why the penalties are low is because the attention of society is low. Politicians and law enforcement may say they have "bigger fish to fry", so society is not paying it the right attention, either.

Last but not least, and then I will give the floor to the panel: An interesting study was conducted recently and presented at a conference organized by UNCTAD, the UN organization for trade and development based in Geneva. The study was done by TRACIT, which is a NGO specializing in the fight against illicit trade. Basically, this study shows that illicit trade is hampering the ability to reach the 17 SDGs, the Sustainable Development Goals. All of them are impacted because illicit trade undermines jobs and States' revenues. Illicit trade fosters corruption and that means it then lowers trust in society. I think it is a very interesting study and it shows how illicit trade and related crimes like corruption and money laundering impact all the SDGs, the development towards the 2030 objective.



I will stop there. That is the framework of illicit trade and I will pass over to my first panelist, Laurent. Maybe you would like to touch base on how illicit trade is impacting the consumer and maybe also the new e-commerce platforms.