

the value of confiscated proceeds of crime related to money-laundering arising from drug trafficking at the global level remains low

Dr John Collins,

I am here as part of the delegation of Vienna NGO Committee on Drugs, an NGO in consultative status with ECOSOC, but the work I will present today is that of the Global Initiative against Transnational Organized Crime (GI-TOC), where I am Director of Academic Engagement.

This presentation will focus on the theme for this session - ***the value of confiscated proceeds of crime related to money-laundering arising from drug trafficking at the global level remains low***. In addressing this theme, it's important to understand that there are multifaceted links between drug trafficking and illicit flows, and that it is very difficult to measure and monitor the volume of flows in monetary terms – and therefore to understand how proceeds confiscation figures relate to that.

It is in the nature of illicit markets that money is moved in the shadows and is enabled by corruption – so law enforcement find themselves chasing those shadows and blocked by corruption. In fact what is sometimes a more useful measure of illicit flows, including from drug trafficking, is what impact they have on society, the economy – and on sustainable development.

As this is a UN meeting, sustainable development is the lodestar of what we are trying to achieve. In particular SDG target 16.4: UN member states pledged to “significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime, by 2030”.

And the UN itself has stated that “[IFFs] allow wealthy and exploitative elites and criminal actors to launder the profits of their ill-gotten gains, to evade taxes, use political power for personal gain, [and] conceal the ownership of assets. They thereby undermine efforts to limit wealth inequality, reduce governments’ capacities to support development and inclusive growth goals, and significantly undermine the rule of law.”

I echo this viewpoint and believe that IFFs represent the “life blood” of crime and corruption, importantly when those flows are related to drug trafficking. They facilitate the dominance of corrupt elites that maintain dominant power structures across geographies. They are perhaps the most significant obstacle to equality, fairness, and opportunity in transitioning economies. The term IFFs is actually a relatively recent one, promulgated by one single civil society institute, Global Financial Integrity, under their unique analytical framework. Since GFI’s first report, the term IFFs has been eagerly adopted as a rallying cry by developing economies, keen to see the international financial centres shoulder their responsibility for resource and value diversion. The term is now firmly embedded in the development lexicon, though without a clear and universally accepted definition, although UNODC’s recent work on IFF definitions has helped move improve understanding. GFI’s metric of trade mispricing estimates IFFs averaged a 4.0% of the developing world’s GDP over a twenty-year period. In 2014 alone they estimate US\$620–970 billion was transferred out of developing countries. Drugs, of course, remains a huge component of the flow of

IFFs. But the exact monetary value, due to the nature of illicit economies, is very difficult to measure.

We have looked at regional examples to better understand, instead, the political economy of IFFs and the effects they have on society. Our 2021 study on the Western Balkans' drug routes traces how the region has become a major distributor of drugs in areas from Latin America to Western Europe and Southern Africa. In particular, our study argues that weak governance and corruption are certainly two enabling factors for illicit financial flows related to drug trafficking. As demonstrated by the research, criminals originating from the Western Balkans region have set up a very lucrative business model favored by the increasing supply and demand for cocaine, heroin, and cannabis.

- The Balkan route, especially for heroin, provides access to Western Europe. UNODC previously estimated that 60-65 tons of heroin flow through south-eastern Europe each year – worth c. € 960m+ in 2020.
- 1kg heroin is approximately worth twice as much in the Western Balkans as it does earlier on in the Balkan route, and it doubles again in value when it is sold in the EU.
- Cannabis is the most commonly used and seized drug. Wholesale prices range from €1,000 , to €1,550 to €1,900 per kilogram across the Western Balkans region, depending on quality and availability.

Moreover, the GI-TOC research on the political economy of heroin markets in East and Southern Africa has highlighted how the flow of illicit finance deriving from the heroin market is not only a security problem but rather an increasingly development issue. In particular, the study deepens the impact that IFFs coming from drug trafficking has had on the growth of many small coastal villages. Firstly, the study argues that the drug trade has greatly increased the risk of urban violence. Secondly, it maintains that IFFs have long been advantaged by the development of transport infrastructures employed in multiple illicit trade networks – in varied countries across the region. IFFs deriving from drug trafficking in East and South Africa have become a prominent feature of urban politics and development, that should not be underestimated.

Clearly, it is a concern that the volume of confiscated assets from these activities remains low. And to effectively tackle organized crime and illicit markets, states must make a greater effort to increase their seizure of assets arising from money laundering and illicit drug trafficking, including through better coordination and transparency.

But what is more concerning are the development and security threats of these IFFs. Our regional examples are illustrative of the global and local effects on development and security of illicit financial flows related to the drugs trade – poverty, violence, drug addiction and health impacts, and a general breakdown in good governance. The response not only lies in the seizure of drugs and money, but a holistic response including the prioritization of urban security, support for community resilience and including civil society voices at all stages.