

# Can we measure the size and impact of the illicit economy?



## **Can we measure the size and impact of the illicit economy? January 2016**

The illicit economy is the disruptive side of the 4th Industrial Revolution the theme of the World Economic Forum annual meeting 2016. The World Economic Forum, the World Bank, the IMF and a bevy of other multilateral organizations, routinely report and monitor the state of the legal global economy. But who provides the same type of analysis for the illicit economy?

Efforts have been made to gauge the size of the illicit economy. The Forum's Global Agenda Council on Illicit Trade 2012-2014 estimated the shadow economy to be worth \$650 billion. That figure was drawn from Global Financial Integrity's 2011 study, which assessed 12 types of illicit cross-border trade to arrive at that aggregate figure. However, the overall size of the illicit economy is much larger. Phenomena such as counterfeit trade within countries, illicit trade in digital products and online services were not captured by the earlier survey.

So what can be done? The Meta-Council on the Illicit Economy has embarked on an effort to more comprehensively map the illicit economy. Led by Jean-Luc Vez, Managing Director, Head of Public Security Policy and Security Affairs, and Member of the Management Committee of the World Economic Forum, and Adam Blackwell, Ambassador in Residence at the William Perry Center for Hemispheric Defense and Security Studies at the US National Defense University, the Meta-Council has begun examining a variety of aspects of the illicit economy, including deep dive analysis into areas such as human trafficking and illicit mining. Those efforts are captured in a briefing paper on the State of the Illicit Economy now available on [here](#).

Using human trafficking as an example the Meta-Council identified a variety of costs—economic, resource, litigation, brand and reputational—for which business could be at risk. The Meta-Council also identified ways in which the private sector can help address human trafficking, including the following:

1. Technology and data analysis tools can be used to identify potential traffickers and track transactions.
2. Research and collaborative efforts should be made to promote cross-stakeholder collaboration and public-private partnership, particularly on information sharing and knowledge transfer.
3. Engagement of senior corporate leaders can create systemic change throughout a company.
4. Individuals and employees can make a difference through raising awareness, and preventing and flagging possible cases of human trafficking.
5. Best-practice sharing across industries could foster dialogue and a culture of transparency.
6. Academic institutions, particularly business and public-policy schools, have a role to play in training the next generation of business and community leaders in anti-trafficking strategies and entrepreneurial solutions.
7. Analysis of the impact of countermeasures on the economic indicators in a given region. If effective countermeasures are put in place, they should be echoed in improved licit, measurable economic activity in a region. Economic participants will be encouraged to share this data, allowing a closed loop on the initial estimates and the confirmation/contradiction of the estimates. This iterative process will help provide better models for the estimation of illicit economic activity in the future.

To more comprehensively map the illicit economy, the Meta-Council is developing an “Illicit Economy Matrix,” which will increase the awareness and overall understanding of international, government, institutional, social, and private efforts—and their results—in the fight against illicit trade. This matrix, and the Meta-Council’s efforts to map more broadly the contours of the illicit economy, should help stimulate discussion and ultimately consensus on how to best address the many challenges associated with

the illicit economy, and stimulate the creation and implementation of new tools to effectively and proactively disrupt illicit networks.



With the support of Hans Schwab, one of its members, a website [www.illicittrade.com](http://www.illicittrade.com), which aggregates information on illicit trade from a variety of sources, has been launched. The site will also serve as the online platform for the

Council's Matrix becoming the first global source to compile and aggregate information from private as well as government institutions, governments and citizens, on the numerous initiatives and tools in the fight against illicit trade, outlining whenever possible the concrete results achieved through these initiatives and how the international community can contribute to increase their efficiency.

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