

APEC Anti-Corruption and Transparency Experts Task Force

APEC-ACT

APEC Capacity-Building Workshop: Effectively Combating Corruption and Illicit Trade Through Tracking Cross – Border Financial Flows, International Asset Recovery and Anti-Money Laundering Effort; its impact on poverty reduction and economic growth

10-11 July 2012, Phuket, Thailand

Keynote Presentation by Gary Lewis

UNODC Regional Representative for East Asia and the Pacific

Deputy Governor, Khun Panthep, Professor Pakdee, Distinguished Participants, Ladies and Gentlemen,

It's a great honour to be invited to this keynote presentation today.

UNODC is especially pleased to be associated with this event, as it is organized by the National Anti-Corruption Commission of Thailand, an institution with which UNODC has built a vibrant and productive relationship in recent years.

Our world is changing. History races ahead. More trade – easier and faster communication – increased mobility of people, money and services has created prosperity and wealth. This holds great potential for development. With development poverty is reduced. With development can come security and justice.

However, as we create more opportunities for economic growth by lowering or removing barriers, we create space for what I would call the the “dark side of globalization”.

This dark side of globalization has many attributes. It is driven by transnational organized crime, including trafficking in commodities and people. It is oiled by corruption and the laundering of criminal proceeds. Organized crime is strongly associated with times of rapid social change. When the old rules have been suspended and the new ones have not yet taken hold, organized crime fills the gap.

Those of you who were present in the Conference of the States Parties to the UN Convention against Corruption in Marrakech, in October 2011, will remember that UNODC launched a report entitled “*Estimating illicit financial flows resulting from drug trafficking and other transnational organized crime*”.

That report estimated that the total amount of criminal proceeds generated in 2009, excluding those derived from tax evasion, may have been approximately \$2.1 trillion. This is equivalent to 3.6 per cent of global GDP for that year. Of that total, the proceeds of transnational organized crime—such as drug trafficking, counterfeiting, human trafficking and arms smuggling—may have amounted to 1.5 per cent of global GDP. As much as 70 per cent of those proceeds are likely to have been laundered through the financial system. However, less than 1 per cent, I repeat, less than 1 percent of estimated global illicit financial flows is currently being seized and frozen, according to the report!

As the Secretary-General of the United Nations pointed out during a recent meeting of the Security Council: “[These] illicit flows undermine state sovereignty. They destroy

communities and individual lives. They are threats to peace and security”.¹ To this, I would add that such flows contribute to – and are fuelled by – **corruption**. And corruption, in turn, undermines development and the rule of law.

Corruption and its consequences are – for me – more properly measured by THINGS NOT DONE. Roads, bridges, hospitals never built because funds were stolen. Children never taught for the same reason. Cases dismissed because the judge took a bribe. Voters cheated because officials stuffed ballot boxes. These things undermine trust in the legitimacy of governments.

For all these reasons, the topic of today’s workshop is one that is rising fast on the international agenda among both crime fighters and development practitioners. And it is high time that policy-makers recognize the threat which TOC and related corruption poses to international security, justice and development.

At this point in time we face both opportunities and challenges.

The opportunity is to place the threats of TOC and corruption in their proper perspective and drive forward the momentum for action and effective solutions.

The challenge is to move away from our “business as usual” approach.

In this struggle, the role of the United Nations is to contribute in three ways:

- First, we support our Member States in their efforts to put in place appropriate conventions, and legal frameworks . To date, this work has resulted in a number of UN conventions which set the framework for action. The two most prominent of these are the United Nations Convention against Transnational Organized Crime and the United Nations Convention against Corruption.
- Second, we work with governments to strengthen their capacities to implement these treaties and to build partnerships at the regional and global levels.
- Third and finally, we help to build knowledge on the extent, pattern and trends of TOC and its links to corruption. Our purpose is to help policymakers better understand the scope of the problem; to calibrate their responses; and – perhaps most crucially – to allocate proper resources to deal with it.

From our office in Bangkok, the team of talented professionals which I am privileged to lead has recently been working on a Transnational Organized Crime Threat Assessment for East Asia and the Pacific. This report assesses many of the region’s most lucrative illicit flows, including: timber, amphetamines, heroin, counterfeit goods and fake pharmaceuticals, wildlife and the proceeds of both smuggling and trafficking human beings. We hope to share our findings this coming October. I believe that the contents of this report will shed a dramatic new perspective on what we are up against. More than this, however, we will share recommendations for a response.

Ladies and gentlemen,

APEC is comprised of both developing and developed economies. It contains a large number of rising economic powerhouses. It is located strategically on the Pacific Rim and can be

¹ Remarks of the Secretary-General at Security Council meeting on "Threats to International peace and Security : Improving UN Capacity to Assist States to Counter Illicit Flows" (25 April 2012).

called upon to help build this understanding and trust to countermand illicit flows of all kinds, including illicit financial flows.

UNODC is committed to support regional and inter-regional anti-corruption initiatives like APEC-ACT. I'm glad to report that one of my colleagues, Mr. Ajit Joy, who heads our office in Indonesia, where our priority is assisting the government to counter corruption, will be contributing to a panel discussion on international asset recovery today. And we have already planned to contribute to another APEC ACT workshop on "Implementation of the APEC Anti-Corruption Code of Conduct for Business" to be held in September 2012 in Manila. I certainly hope that this constructive engagement with your Task Force will continue in the future and will yield concrete results.

I therefore invite us all – in the coming two days – to focus on pragmatic solutions for APEC to leverage these tremendous assets.

Perhaps we can focus on four questions:

First, what do we need to do, individually and collectively, to ensure that our legal frameworks realize their full potential?

Second, how can we improve our technical capacity to tackle these illicit flows?

Third, remembering what I said about how much illicit money is never seized or forfeited, how can we close the gaps and meet the challenges we are facing in international cooperation to stem illicit financial flows and to ensure asset recovery?

And finally, do we have sufficient data and analysis to fully comprehend and tackle the problems we are facing?

By responding to these questions I believe we can use this forum to come up with focused, action-oriented recommendations that can improve our collective work.

Mr. Chairperson, Ladies and Gentlemen,

Member economies of APEC, have an obligation, not only to each other, but also outwards to other countries to engage in cooperation to stem illicit financial flows. Your presence here is a testament to APEC's commitment to fulfilling that obligation. The networks we are up against form a network. But so do we. And it takes a network to defeat a network.

Thank you.