CHAPTER 3

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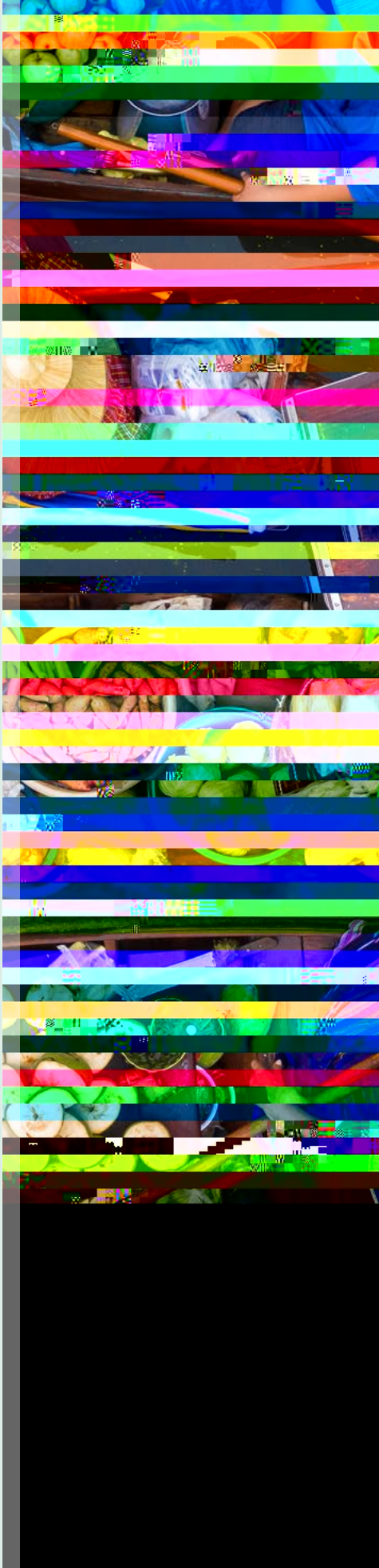

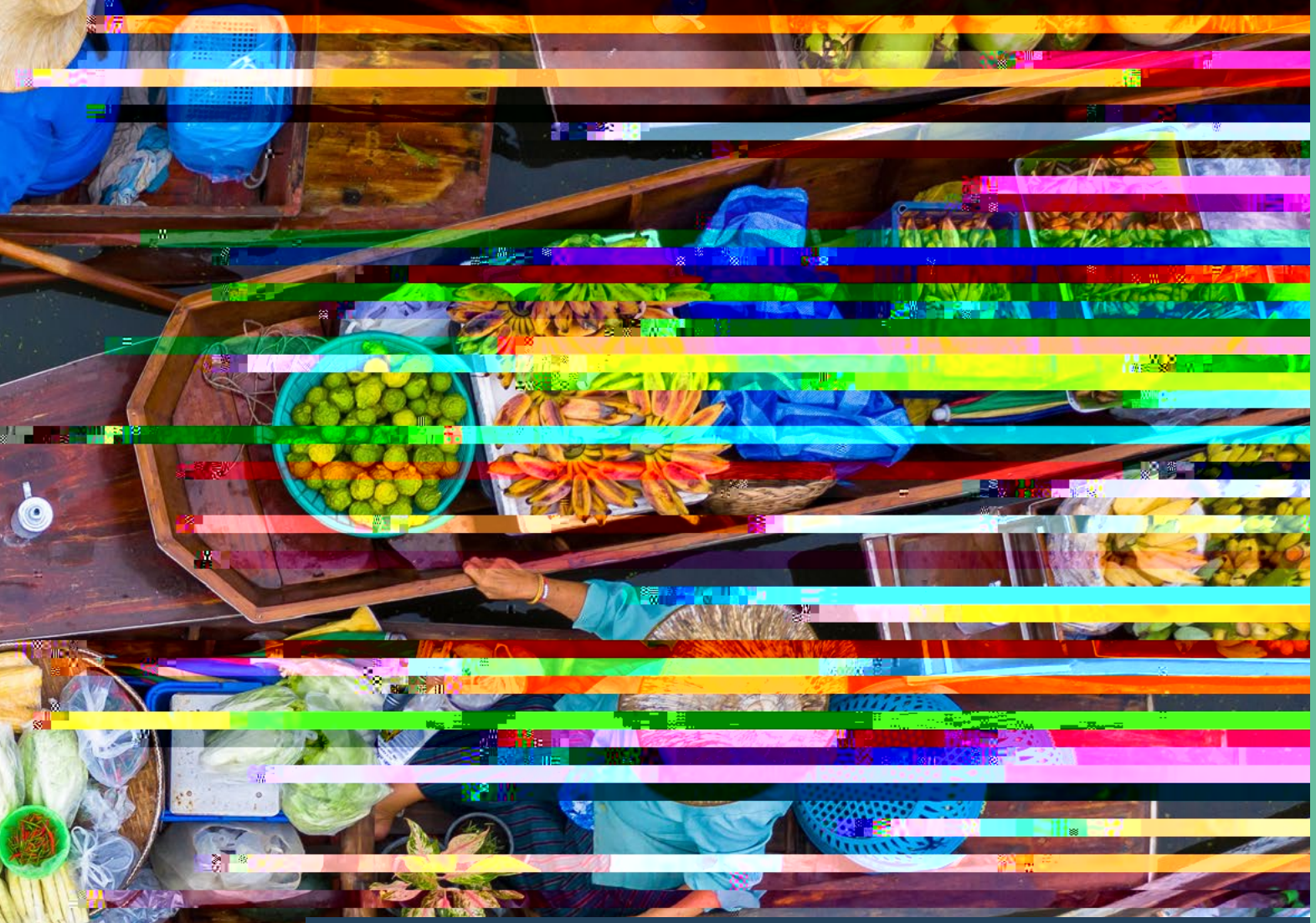

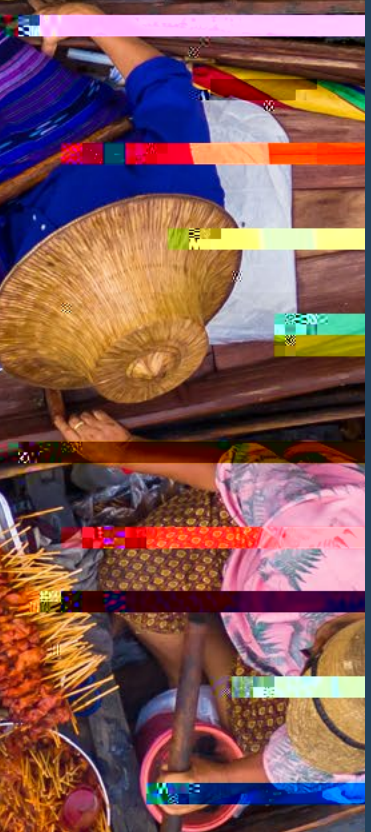

Introduction

Agriculture, forestry and fishing contributed 4.3 per cent of global GDP in 2022 and account for large shares of the GDP for developing economies. A healthy agricultural sector is vital to eradicating hunger and poverty. Illicit trade in agri-food and beverages, in its various manifestations, undermines sustainable farming, limits crop yields and jeopardizes the delivery of fair, safe and sustainable food supplies.

This chapter examines how this form of illicit activity threatens the achievement of 11 of the United Nations Sustainable Development Goals (SDGs). Examples from illicit trade in food commodities, processed foods and pesticides demonstrate how fraud and failures in the food supply chain hinder progress on the vital goals to eradicate hunger and poverty, improve health and well-being, strengthen consumers' ability to make educated and eco-friendly decisions, and generate sustainable economic growth.

The importance of multilateral trade towards achieving the SDGs has long been recognized by the international community. More recently, at the 15

Examples of illicit food practices include:

- mislabelling, such as conventional vegetables labelled as organic or meat labelled as kosher when it is not;
- tampering with the weight of a commodity, such as fish or coffee;
- falsifying the origin of a product, for example by labelling regular table salt as Himalayan pink salt to imply premium origin and health benefits;
- illegally deforesting land for agricultural purposes (common examples include palm oil, chocolate, beef, soy);
- adulterating products such as honey by mixing it with corn or rice syrup (Strayer et al., 2014), or by mixing lower-grade olive oil into branded high-grade olive oil;
- smuggling products across borders or importing them through unauthorized channels, such as selling seafood intended for one market in another.

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Because the supply chain for packaged and processed food and beverages can be so complex, there is a risk for food fraud at multiple points. Examples include:

- selling expired goods, such as in energy drinks, past their expiration date;
- mislabelling ingredients or undisclosed ingredients or additives, such as adding inexpensive fillers to sausages or artificial flavouring to 100 per cent juices;
- creating counterfeit branding for fake versions of popular packaged foods (especially premium quality);
- using fraudulent certifications, such as labelling a product as certified organic when it is not;
- making misleading health claims, such as labelling a snack as made with whole grains when it was actually made with refined ingredients;
- introducing formulation changes, such as gradually altering the ingredients without changing the labelling.

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Illicit trade in agri-food unambiguously impacts achievement of the following 11 of the 17 SDGs:

- SDG 1 (No poverty)
- SDG 2 (Zero hunger)
- SDG 3 (Good health and well-being)
- SDG 6 (Clean water and sanitation)
- SDG 8 (Decent work and economic growth)
- SDG 9 (Industry, innovation and infrastructure)
- SDG 11 (Sustainable cities and communities)
- SDG 12 (Responsible consumption and production)
- SDG 14 (Life below water)
- SDG 15 (Life on land)
- SDG 16 (Peace, justice and strong institutions)

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Access to healthy and affordable food is a prerequisite for addressing global poverty and hunger. Illicit trade in agri-foods contributes directly to:

- food insecurity by disrupting legitimate supply chains, reducing availability and increasing prices that limit access to essential foods;
- poverty by undermining fair markets and reducing income for legitimate producers, especially in vulnerable communities;
- malnutrition by consuming contaminated, counterfeited or adulterated food products (e.g. fake infant milk powder and vegetable oil made of recycled oils unfit for human consumption) (see Box 1).[6]

The impact of food fraud on human health can also be felt indirectly. Long-term exposure to low-level toxic contaminants or the continual omission of active or beneficial ingredients, such as preservatives or vitamins, can have harmful health consequences. Similarly, health risks emerge when unlabelled or adulterated ingredients cause consumer allergy, intolerance or sensitivity.

BOX 1

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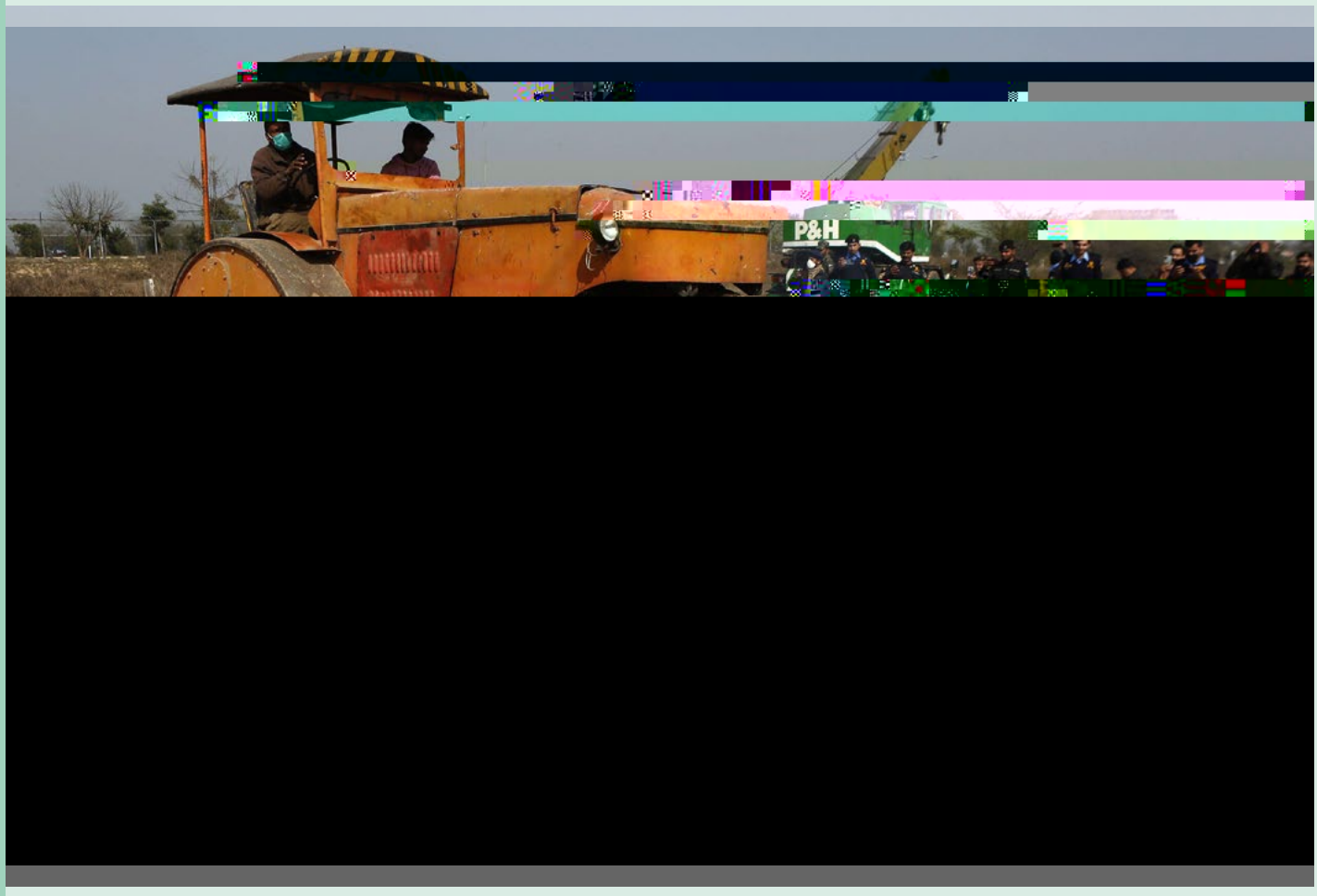
The alcohol industry is one of the biggest sectors in the food and beverage sector. Illicit trade in alcoholic beverages is one of the largest forms of illicit trade. The Organisation for Economic Cooperation and Development (OECD, 2022) reports that the World Health Organization expects the share of unrecorded consumption of alcohol, much of which is presumed to be illicit, to reach an estimated 27.7 per cent of global consumption in 2025.*

The public health costs and personal tragedies from illicit trade in alcoholic beverages are staggering. Substandard products manufactured using dangerous, unapproved ingredients pose significant health risks to consumers (SDG 3) and disproportionally affect poorer and uneducated consumers. In addition, illicit trade in alcoholic beverages deprives governments of tax revenues (SDG 8) and diverts resources to organized crime (SDG 16).

* See also WHO (2018).



BOX 2

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Agrochemicals, specifically pesticides, are an integral part of conventional agriculture by mitigating pests and diseases that harm crops and reduce crop yield and quality.* With the global pesticide market anticipated to reach US$ 90 billion by 2028,** the prevalence of illegal pesticides, including counterfeits, infiltrating global markets is unsurprising. The share of illegal pesticides in the global market in 2015 was estimated to be as high as 25 per cent (OSCE/ENVSEC, 2015).+

The trade and use of illegal pesticides present significant risks to human health in the forms of food toxicity, exposure to unsafe chemicals and safety hazards associated with transportation and handling. Counterfeit and sub-standard pesticides often contain chemicals which are either banned or restricted due to the risk they pose to human health and/or the environment.

In addition, they are often falsely declared to avoid international labelling requirements designed to ensure safety during transport and usage. As a result, highly toxic, flammable or otherwise hazardous substances are transported and used without regard to the safety of workers handling the product.++

* For background information on the benefits and hazards of pesticides in agriculture, see Aktar et al. (2009).

** See https://www.techsciresearch.com/report/global-pesticides-market/1311.html.

+ For information on India, see the report by the Federation of Indian Chamber of Commerce and Industry (FICCI, 2015). Information of the work conducted by the European Union Agency for Law Enforcement Cooperation (Europol) is available at https://www.europol.europa.eu/crime-areas/intellectual-property-crime/counterfeiting-and-product-piracy.

++ For further information, see Fishel (2009), OSCE/ENVSEC (2015) and UNICRI (2016).

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Legitimate food companies invest significant amounts of time and money in developing products and protecting their intellectual property through patents, copyrights, design rights and trademarks. The production and sale of counterfeits undermines investment into scientific research and the industrial growth of the market. Unless intellectual property is protected, innovation and technological development will not be properly incentivized, consequently undermining industrialization and sustainable economic development.

For instance, a company that invests heavily in developing a novel ingredient or process for reducing the salt or sugar content of products – without compromising taste – will seek patent protection for its R&D investment. If counterfeiters were to produce and sell imitation products using a similar ingredient without proper authorization, it could significantly undermine the value of the original patent. The legitimate company would lose out on the returns on their investment in innovation, potentially leading to decreased funding for future R&D efforts.

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A relevant example of the impact to sustainable cities and communities is the wide-ranging consequences of illegal, unreported and unregulated (IUU) fishing on Belize's ecotourism industry. The United Nations Educational, Scientific and Cultural Organization (UNESCO) designated the Belize Barrier Reef system a World Heritage site in 1996. The World Wide Fund For Nature (WWF) (2016) reported that it generated 15 per cent of Belize's GDP, with income derived from reef tourism and fisheries supporting more than half the population. The reef system and the economy that it supports are under constant threat from IUU fishing, which depletes the very wildlife on which ecotourism depends.[13] Sustainable management of marine sites can be net positive for tourism and society as a whole.

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Consumers' ability to make educated and eco-friendly decisions are undermined when certificates of origin are falsified, quality assurance programmes hampered, claimed ingredients diluted with a cheaper product or entire species substituted. The practice of sustainable or safe catch seafood mislabelling is an example of how food fraud strips the consumer of the ability to make informed food choices – while simultaneously threatening ocean sustainability by creating or sustaining markets for illegally sourced fish to be laundered into legal seafood markets.[14]

Further, illegal deforestation of land for agricultural farming disrupts ecosystems, threatens biodiversity and undermines the goal of responsible consumption and production. Illicit pesticides usage can also degrade soil, contaminate water and render land infertile, undermining the long-term viability of agricultural production.

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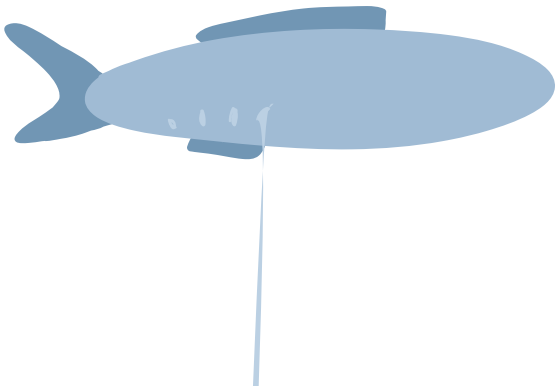
SDG Target 14.4 (end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices by 2020) specifically recognizes the detrimental effects of IUU fishing on global marine sustainability. It acknowledges the significant repercussions on the stability of coastal and offshore fisheries, as well as the economic well-being of communities reliant on fisheries.

Similarly, SDG Target 14.6 calls for the elimination of certain subsidies that contribute to IUU fishing. Subsidies to the fisheries sector were estimated at US$ 35.4 billion in 2018 (Sumaila et al., 2019). Subsidies can amplify unsustainable fishing practices by artificially increasing fishing capacity – which in turn promotes overfishing and other destructive fishing practices.



The use of illicit pesticides can also affect life under water. For example, run-offs and releases of unregulated illicit products into waterways, rivers, seas and oceans can lead to widespread environmental contamination and harmful accumulation in humans, local animals and marine life.

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In addition to polluting waterways, illicit pesticides can contaminate land. The long-term usage of illegal pesticides on agricultural land can cause resistance to pests, reduce soil fertility or render land infertile. Releasing such chemicals into the environment can further impact biodiversity and endanger human health.

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Organized crime plays a major role in the illicit trade

TABLE 1

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Action	Effect
SDG 1 (No poverty)	Undermines agricultural markets and fishing industries that support economic development, employment and poverty reduction. Destabilizes the associated local economic communities.
SDG 2 (Zero hunger)	Destabilizes food security. Undermines sustainable food production and access to food.
SDG 3 (Good health and well-being)	Exposes consumers to harmful ingredients or deprives them of active beneficial ingredients.
SDG 6 (Clean water and sanitation)	Jeopardizes water quality and the protection of water-related ecosystems from contamination.
SDG 8 (Decent work and economic growth)	Drains farmer profitability through spending on ineffective pesticides, causing reductions in crop yields and quality. Siphons GDP, jobs and tax revenues from national economies. Introduces health risks that can jeopardize corporate brands and economic sustainability.
SDG 9 (Industry, innovation & infrastructure)	Discourages investment. Undermines innovation. Disincentivizes technological advancement.
SDG 11 (Sustainable cities & communities)	Contributes to local economic instabilities that threaten the fishing industry's long-run contributions to GDP and employment.
SDG 12 (Responsible consumption & production)	Deprives consumers of choice and ability to make educated and eco-friendly decisions.
SDG 14 (Life below water)	Exacerbates the prevention of harmful run-offs and releases of toxic chemicals into water bodies.
SDG 15 (Life on land)	Use of unregulated, toxic, illicit pesticides contaminates land, reduces soil fertility or renders land infertile.
SDG 16 (Peace, justice & strong institutions)	Undermines governments' capacity to enforce policy, promote the rule of law, eradicate corruption and combat other forms of criminal activity. Illegal profits underwrite smugglers, breed corruption, subsidize wider criminal activity and threaten political and economic stability.

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