

Threats to the Supply Chain from (Organized) Crime - New Aspects Through a Supply Chain Act?

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Protecting the supply chain is in the interest of both the entrepreneur and society as a whole. Only a secure supply chain guarantees that goods and services reach the consumer, production facilities do not come to a standstill and jobs are secured. Reinvestment of profits creates new jobs, innovation and prosperity. But security goes beyond the functioning of production processes, because the product or service must also be secure. Security in a supply chain also includes protection against crime. A large part of criminally generated profits is obtained by (organized) crime along the value chain.

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He studied law at the University of Leipzig until 1996. Following his doctorate in 2000 under Walter Gropp in Giessen, he worked as a research assistant there. In 2006 he completed his habilitation. In the same year, he was appointed to the University of Osnabrück, where he has held a chair in German and European Criminal Law and Criminal Procedure, International Criminal Law and Criminal Law Approximation since 2008. Arndt Sinn has been a visiting professor at universities in Japan (Chuo University, Tokyo) and the People's Republic of China (Nanjing University). Arndt Sinn is a member of the European Working Group on Legal Initiatives against Organized Crime and author of numerous publications on this subject. He is a consultant for Europol's Serious and Organised Crime Threat Assessment (SOCTA) and for the report on the future of organised crime (Exploring tomorrow's organised crime). He also serves on the Task Force on Countering Illicit Trade (TF-CIT) at the OECD. He is an editorial board member in domestic and foreign journals.



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***It Is Estimated
that International Organized Crime
Generates Approximately \$870 Billion Annually,
Equivalent to 1.5% of Global GDP ¹.***

In a 2016 study, the OECD estimates that counterfeiting alone accounts for 2.5% of global trade, which corresponds to around 461 billion US dollars. Up to 5% of goods imported into the EU are counterfeit. The new technical possibilities also offer new opportunities to place offers more easily and with less risk, thus increasing the demands for illegal goods. Not only are the products counterfeited, but also the web stores for some products (e.g. machine parts, pharmaceuticals) are designed in such a way that they appear to be part of the legal distribution chain in order to deceive consumers, but also intermediaries and entrepreneurs. But also in the "classic" fields of activity along the supply chain, criminal actors cavort with robbery, theft and embezzlement, as for example in freight theft. In this context, criminal forwarders offer their services as crime-as-a-service and thus support organized gangs. Lack of case management, non-transparent chain contracts and lack of communication within the company, right up to deficits in cooperation with law enforcement agencies, can facilitate the "raids".

Protecting the Supply Chain from Crime

In order to identify the relationship between supply chain protection and crime, it is necessary to identify the threats to the supply chain, because effective protection can only be established on the basis of a threat analysis, which will vary from product to product, service to service and company to company. Basically, three threat scenarios can be defined:

1. dangers from outside,
2. dangers from within,
3. dangers from parallel structures.

¹Ref. OECD, Illicit Trade: Converging Criminal Networks, OECD Reviews of Risk Management Policies, OECD Publishing, Paris, 2016, S. 13

Only those Who Identify Threats Can Avoid Damage.

Only after a risk analysis, which must be specifically tailored to the individual company, can the concrete risks be identified, analyzed and evaluated, and finally countermeasures be designed. Specifically, this can be done within the framework of a risk analysis based on quality risk management (SCRM process).

New Aspects through a Supply Chain Act?

The supply chain law currently under discussion is only partly and only indirectly concerned with protecting the supply chain from crime. At its core, the Supply Chain Act is more about ethics in the supply chain and the prevention of human rights violations along the value chain. It is therefore not a matter of protecting the integrity of the supply chain from external or internal threats. However, if the obligatory part of a supply chain risk management (SCRM) in a future supply chain law is combined on the company side with a risk analysis with regard to criminogenic factors, the new supply chain law also holds opportunities for companies to protect themselves from criminal actors.

No Agreement Yet in the Dispute over a Supply Chain Law

Key points of a supply chain law ("Due Diligence Act") to date:

Who?	Companies based in Germany with 500 or more employees.
What?	Corporate due diligence with regard to the observance of human rights in business relationships. Risk management.
Legal consequences?	Civil liability for own fault (violation of a duty of care), penalties.

Facts and Motivations

Damage Potential	870 Mrd. US-Dollar Schaden alleine durch organisierte Kriminalität (global, diverse Bereiche).
Requirements	Company Policy: QM, compliance, requirements, voluntary commitments, certifications. Supply chain law (ethically oriented): to prevent crime, environmental pollution, violation of human rights. NGOs: commitments, campaigns, public opinion-forming.
Action Required	Minimization of liability risks (civil, criminal). Maintaining and preserving the brand and its value. Involvement of all elements of the supply chain. Avoiding cost increases from new demands, more power for counter-measures with the same budget (automation, efficiency, effectiveness).
Methodology Traditional	Headquarter departments, manually oriented information collection, external consultants, audits.
FIFI Capability Enhancement	Increasing the amount of data and information from diverse sources. Automated preparation, pre-processing, prioritization. Support of analysts by IT solutions.
Target Group	C-level management, written / briefing, situation, risks, opportunities. Adoption of "Intelligence Production" models - with company-specific adaptations.
Task Case Analysis	Consideration of current results from: Collection / Processing / Analysis on single cases.
Task Cyclic Analysis	Automation of standard evaluations and processes. Analysis of: temporal change, differential analysis, trends. Conclusions, optimization of the strategy.
Directly Affected	7300 global companies with more than 500 employees.
Industries	All global and manufacturing industries.