



ASEAN is facing a crisis like never before. COVID-19 has disrupted supply chains, plunged stock markets, and has taken the lives of thousands of people. Besides the macroeconomic shocks to the economy, the pandemic has also put a spotlight on Southeast Asia’s growing illicit trade industry. Vietnam has seized over 150,000 counterfeit 3M face masks while the Philippines has seized medical supplies worth US\$5 million.



In ASEAN, the rise of illicit trade has dealt significant blows to human lives and human rights, on top of causing monetary losses to governments and legitimate businesses. Moreover, the proceeds of illicit trade line the pockets of international organised crime, including terrorist organisations, and undermine governments’ ability to safeguard the health and safety of their citizens.



As ASEAN looks towards charting the path to the next new normal, the region needs to transform lockdown lessons into a resilient post-crisis regulatory regime by understanding where and how criminal groups exploit weaknesses. The time for ASEAN is now and the failure to act could result in a larger public healthcare crisis. Some recommendations of how ASEAN can tackle the issue across different areas of concern are highlighted below.

- Collaborate with online platforms such to promote online to offline enforcement.
- Promote adoption of better due diligence processes for online intermediaries including social media platforms.
- Develop national government frameworks for governing advertising and promotion of products, compatible with OECD guidelines.

## E-Commerce



- Develop a comprehensive framework pertaining to the implementation and protection of lot codes.
- Define serialisation and Track and Trace laws, mandate serialization of products.
- Form regional Public-Private working group for Illicit Trade to share market intelligence and investigative techniques with customs authorities.

## Counterfeit Goods



- Form comprehensive and specific definitions of permissible activity in FTZ’s with implementation policies and periodic checks.
- Incorporate digital solutions to ease reporting requirements, track and trace requirements.
- Ensure authorities have access to aggregated data on goods entering and exiting the FTZ with correct tariff classification and owner information.

## Free Trade Zone (FTZ)



- Simplify the administrative requirements of the taxation process, through labelling and documentation standards, so as to reduce incentives for tax avoidance.
- Adopt coherent long-term policies that focus on regular tax adjustments instead of drastic increases, especially during the current COVID-19 environment of financial uncertainty and supply chain disruptions for the licit industry.

## Taxation Policies

