

Policy Recommendations to Combat Illicit Trade

Inspired by the Global Illicit Trade Environment Index

Serbia, Bosnia and Montenegro

Introduction

To amplify the policy response to illicit trade, the Transnational Alliance to Combat Illicit Trade (TRACIT) commissioned the Economist Intelligence Unit (EIU) to produce the *Global Illicit Trade Environment Index*. It evaluates 84 countries on their structural capability to effectively protect against illicit trade, highlighting specific strengths and weaknesses across 25 policy, legal, regulatory, economic, trade, institutional and cultural indicators.

The findings are intended to help policy makers: (i) better understand the regulatory environment and economic circumstances that enable illicit trade; (ii) identify areas that merit greater attention and formulate effective strategies to address the serious threats posed by illicit trade.

To encourage an effective policy response to illicit trade, TRACIT prepared a set of policy recommendations inspired by the thematic categories upon which the *Global Index* was constructed. These recommendations are universal in nature, providing a “checklist” of fundamental measures governments can implement to improve their ability to defend against illicit trade. They are published in the TRACIT Report: [Recommendations to Combat Illicit Trade: Inspired by the Global Illicit Trade Environment Index](#).

Additionally, we have prepared some initial topical recommendations relevant to Serbia, Bosnia and Montenegro. These are intended to be a starting point for discussion with government officials in the region.

Regional Priorities for Serbia, Bosnia and Montenegro

1. Ensure that existing **national strategies and related action plans**—particularly those on **combating illicit trade**, organized crime, money laundering and trafficking in human beings—are duly implemented on the ground with the allocation of sufficient human and technical resources. **Strengthening the criminal justice process** is especially important as a condition to effectively address illicit trade.
2. Introduce or strengthen institutional mandates for overseeing **trade in regulated goods over the internet** (e.g. medicines, food, tobacco, etc.). Similar to the way conventional supply chains are regulated and supervised, there is an urgent need to ensure clear responsibilities and regulations for mitigating illicit trade in e-commerce and social media platforms. In connection to that channel of illicit trade, it is

necessary to step up efforts to ensure the **integrity of express mail, international courier and postal services**. Illicit products, including falsified medicines, illegal wildlife and counterfeits are increasingly sold online and distributed in small parcels directly to oft-unwitting customers. Increased engagement with intermediaries and digital commerce platforms along with deeper cooperation between government and the private sector must be undertaken.

3. Make efforts to adopt or improve **centralized and standardized systems for keeping records and collecting data on illicit trade related offences**. Central records on investigations, impounded goods, vehicles, companies etc. could shed more light on pervasive trends, modus operandi etc. especially of organized groups. **Mutual access to and interoperability of databases** held by the various law enforcement agencies and other authorities involved in anti-illicit trade operations and investigations (e.g. police, prosecutors, financial Intelligence units, tax and customs administrations) would significantly improve efficiency of the investigations.
4. **Rationalize tax policies**, subsidies and tax exemptions that lead to smuggling, adulteration and theft. A key driver of illicit trade is tax and price differentiation, so it is critical that these measures do not incentivize illicit trade. As sudden hikes in taxes increase incentives for cross-border smuggling, countries should pay attention to curbing such negative effects. Specific attention should also be paid to consumers' purchasing power before designing any new tax measures.
5. **Engage more closely with the private sector** to support the work of public bodies in illicit trade investigations. Within existing legal and institutional frameworks, the practice of regular private-public sector cooperation should be developed to better utilize investigative resources, data, information and forensic capabilities provided by private companies affected by illicit trade.
6. Increase the **efficiency of customs procedures** and subsequent on-site inspection of goods in customs procedures, especially of **goods in transit**, customs warehousing and inward processing (goods declared for re-export).
7. Step up the resources and technical expertise of competent law enforcement agencies to carry out **financial investigations**. To the greatest extent possible, investigations into organized crime and serious corruption cases should be accompanied by financial investigations. These should notably be based on mechanisms whereby targeted individuals are expected to provide justification for discrepancies between the wealth possessed by an individual and his/her declared income.
8. Address the increased challenges that **cash-based economies** pose for the detection of money laundering operations.
9. **Tackle pervasive corrupt practices** that continue to act as key facilitators of illicit trade, notably at the level of customs and law enforcement authorities. Increased

automation in customs procedures can be effective in tackling the problem as “opportunities” for corruption would be reduced.

10. Step up **law enforcement cooperation within the sub-region**, both bilaterally and within available multilateral mechanisms such as the **Southeast European Law Enforcement Centre (SELEC)**. Member countries of SELEC are strongly encouraged to make use of the Centre’s innovative tools to fight illicit trade, such as a recently launched online manual designed to help law enforcement make more efficient use of “controlled deliveries”.
11. Design **Authorized Economic Operator (AEO) programs** or continue to work towards the implementation of fully operational AEO programs. To companies, AEO programs afford preferential customs treatment and quicker clearance for goods, eventually resulting in lower transport costs. For customs authorities, the advantage is an increased ability to focus limited resources on the inspection of cargo from unknown and potentially unsafe operators.
12. Strengthen the role and ability of recently established State agencies in charge of **managing frozen and confiscated assets** stemming from illicit trade offences.
13. **Strengthen criminal penalties**. Raising standards across the region should be a priority to prohibit illicit traders from exploiting the weakest penal regimes.