

**THE GLOBAL ILLICIT TRADE
ENVIRONMENT INDEX:
TRACIT RECOMMENDATIONS
TO COMBAT ILLICIT TRADE**



**COSTA RICA
Recommendations**

Policy Recommendations to Combat Illicit Trade

Inspired by the Global Illicit Trade Environment Index

Costa Rica

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 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 topical recommendations relevant to Costa Rica.

Priorities for Costa Rica

- **Strengthen the enforcement capabilities of the Comisión Mixta.** Interagency coordination is crucial to tackle illicit trade. In Costa Rica, the Comisión Mixta de Lucha Contra el Comercio Ilícito was created to plan, guide, coordinate, consolidate and communicate public policies, projects, and interventions against illicit trade. To be effective, it must also increase coordination with health, economic, security, finance and customs agencies; and, it must be empowered to more aggressively enforce anti-illicit trade regulations, especially in the areas of Intellectual Property Rights violations, untaxed and unregulated parallel (grey) market imports, and illicit trade in tobacco and alcohol.
- **Intensify public-private coordination.** Private companies actively engage in fighting illicit trade in Costa Rica. Through partnership with the private sector, the government can better utilize the private sector’s investigative resources, data, and forensic capabilities. The formation of bodies which include private sector representatives can be a valuable

partner in the fight against illicit trade. The government should intensify its efforts and increase opportunities for collaboration with all stakeholders (brand owners, intermediaries, NGOs) committed to fighting illicit trade in Costa Rica.

- **Take strong and proactive measures to protect Costa Rica from illicit goods transiting through Free Trade Zones (FTZs).** The FTZ of Colon (Panama) has become a transit hub for contraband, flooding neighbors in Colombia, Ecuador, Dominican Republic and Costa Rica with illicit consumer goods. While the General Directorate of Customs has legal authority to perform inspections, the percentage of incoming products inspected is only around 10%. Costa Rica should improve risk profiling of suspect shipments, implement “Know Your Customer” and “Due Diligence” measures, and require reporting from FTZs on tariff classification and information that identifies the owner of goods arriving from FTZs.
- **Tackle pervasive corrupt practices** that continue facilitate illicit trade, notably at the level of customs and law enforcement authorities. Increased automation in customs procedures can be effective in mitigating “opportunities” for corruption. Also, greater transparency in public procurement can limit corrupt practices and protect legitimate companies from financial loss and associated scandal. Addressing corruption must be tackled head on if strategies to combat illicit trade are to have any chance for success.
- **Increase the efficiency of customs procedures** to block the inflow of parallel (grey) market products into Costa Rica without paying taxes. These products tend to arrive from Poland (under the Free Trade Agreement) or via Free Trade Zones. While the current regulations have the capacity to block such imports—or to impose the proper taxes—there is little to no enforcement of these measures. Under-declaration and corruption of officials is also a huge issue with imports of illicit products.
- **Strengthen criminal penalties.** Raising standards across the region should be a priority to prohibit illicit traders from exploiting the weakest penal regimes.
- **Strengthen IPR enforcement.** Costa Rica must make more progress on ensuring that government entities use only licensed software. In addition, steps must be taken against online markets that offer pirated works and counterfeits on their platforms. To improve border enforcement, Costa Rica should create a customs recordation system for trademarks, allowing Customs ex officio authority to inspect and detain goods.
- **Pursue law enforcement and customs cooperation within Latin America**, both bilaterally and within available multilateral mechanisms such as through an expanded initiative of the Pacific Alliance (Alianza del Pacífico) or through projects sponsored by the InterAmerican Development Bank (IDB) or the World Customs Organization (WCO).