

Policy Recommendations to Combat Illicit Trade

Inspired by the Global Illicit Trade Environment Index

Asia Region

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 topical recommendations relevant to the Asia Pacific region.

Regional Priorities for Asia

- **Develop a comprehensive and effective regional, multilateral, cross-sector response to illicit trade.** Transnational criminals are not bound by national borders. As such, the international community must assist in driving multilateral cooperation. Organizations such as the Association of Southeast Asian Nations (ASEAN) and Asia Pacific Economic Cooperation (APEC) should play leadership roles and promote consistent concrete actions based on regional cooperation mechanisms.
 - Regional economic development strategies like China’s Belt and Road Initiative should encourage international corporation to tackle illicit trade and to adopt international standards on intellectual property rights protection.
- **Strengthen interagency cooperation at the national level, particularly law enforcement and Customs.** The designation of an “Anti-Illicit Trade Coordinator” with high-level authority and the establishment of an interagency task force can raise the profile, oversee

coordination of key agencies, allocate necessary financial and personnel resources and drive implementation of enforcement measures.

→ For example, the Australian government's decisive action in the fight against illicit trade includes establishment of a multi-agency "Black Economy Standing Taskforce", increased funding for coordinated enforcement (\$135 million), increased penalties, and a legislative and regulatory package to address gaps that have long been abused by organized criminal syndicates.

- **Initiate partnerships to leverage the strengths of the private sector**, including: developing and deploying technology solutions based on internationally recognized open standards to protect the integrity of supply chains; ensure easy sharing of intelligence and data to improve risk assessment and border control; improving awareness; expanding the knowledge base, and energize the global dialogue. Such public-private partnerships also enhance a jurisdiction's international reputation as a secure port of call for legitimate trade.
- **Take strong and proactive measures to protect FTZs from illicit traders**, including risk profiling of suspect shipments; ex-officio checks on goods stored and services conducted in FTZs; Customs supervision of the FTZ perimeter and entry and exit points; validate identify of an FTZ's economic operators and their clients; implement "Know Your Customer" and "Due Diligence" measures; and require reporting from FTZs on statistical data on goods entering and leaving the FTZ on the basis of their tariff classification and information that identifies the owner of goods.
- **Launch public awareness campaigns on the threat and harms of illicit trade in tangibles and intangibles, both offline and online.** Reduce demand for illicit products, such as debunking false claims of positive health effects of illegally-sourced wildlife or educating consumers on the real dangers of consuming unlicensed alcohol or substandard medicines. Specifically, policymakers should consider their obligations to implement the UN Guidelines for Consumer Protection.
- **Rationalize tax policies and subsidies** to ensure that they do not incentivize illicit trade, smuggling, adulteration and theft, by adopting simple, single tier specific tax structures, and accounting for various demand-related factors including overall consumption, price, income levels and the ensuing affordability of products.
- **Undertake wider sustainable economic development programs** so that revenue-constrained countries, like Myanmar and Laos, have greater financial capacity to resist the impact of powerful transnational trafficking flows on their own.
- **Establish joint investigations** on illicit trade/trafficking/criminal organizations and an intelligence sharing system oriented towards improving cross-border interdictions.
- **Focus law enforcement on critical smuggling hubs.**
- **Study patterns of illicit trade flows** into and out of a country to pinpoint sources of illicit supply.