



**GOOD PRACTICES IN FIGHTING
ILLICIT TRADE**

THE CASE OF TRINIDAD AND TOBAGO

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FOREWORD

During the course of our efforts to help governments mitigate the economic and social damages of illicit trade, we have come to understand that they are eager for examples of what has already been done by their peers in other governments.

As such, we are proud to launch a series of studies showcasing positive actions that governments are undertaking to mitigate illicit trade. These studies show the significant value of prioritizing efforts to mitigate illicit trade, along with tangible steps that can be taken to do so. They are intended to support governments by providing practical examples they can use to implement reforms and controls to mitigate illicit trade, including introducing or amending relevant national legislation.

This first case study features a good practice example from Trinidad and Tobago, where the Minister of Trade and Industry, Senator the Honorable Paula Gopee-Scoon, has ramped up her government's efforts to tackle illicit trade with a whole-of-government approach across agencies and involving participation from the private sector.¹ Notably, these efforts were featured during the UNCTAD 2nd Illicit Trade Forum, held in Geneva in September 2022. Minister Gopee-Scoon presented an overview of her work to date, wherein she heralded the Forum as a "most welcome opportunity for Member States to analyze the existing common threads of illicit trade that affect their countries, share best practices, and endeavor to strengthen

partnerships to adopt collaborative approaches amongst governments and international law enforcement agencies and bodies to tackle these challenges."

Finally, Minister Gopee-Scoon captured the essence of our new series of case studies in her closing remarks, "The need for innovative, collaborative, cross-border approaches in the fight against illicit trade is apparent. Trinidad and Tobago has much to offer and learn from our counterparts here today. It is vital to learn from each other and bring our existing efforts together."

TRACIT will endeavor to collect and share case studies such as this from Trinidad and Tobago. In going forward, future case studies will aim to feature a variety of achievements, such as how a government introduced a new law, established a task force, or initiated cross-border cooperation with another government. Each case will aim to describe the circumstances by which the action was initiated, and a description of the activities and partners involved. We will also provide a mixture of cases spotlighting different regions, sectors, and issues.

INTRODUCTION

The government of Trinidad and Tobago in the recent past recognized illicit trade as a serious problem that leads to loss of government revenue, loss of sales market share for the industries and poses serious health concerns for consumers.

With approximately 22 percent of imported alcohol entering Trinidad and Tobago illicitly and illicit trade of tobacco accounting for 5-10 percent of the market share, and counterfeit and smuggled goods continuing to flood the country, illicit trade continues to be on the rise.² On top of that, officials had estimated that losses due to tax evasion from illicit trade had reached USD 91 million in 2019.³

Some of the primary challenges facing the country are the limited resources within regulatory and law enforcement agencies to tackle illicit trade, such as manpower, technical expertise, and physical resources (equipment, vehicles, and storage facilities for seized goods). Additionally, goods from the Free Trade Zone leaking into the local market is another concern.

Recently, with countries grappling with post-pandemic recovery, combined with the adverse effects of the Russia war on Ukraine and the worsening of the food and energy crisis, criminals are seeing an opportunity to exploit the situation in Trinidad and Tobago. Consequently, the government recognizes that combatting illicit trade is crucial for post-pandemic recovery, facilitate growth and transform the local economy. The government is also aware of the negative impact of illicit trade on achieving its national development goals, which are consistent with the objectives of the UN Sustainable Development Goals (SDGs).

In response to the far-reaching effects of illicit trade on the economy and public health, Trinidad and Tobago's Minister of Trade and Industry Honorable Paula Gopee-Scoon implemented a number of measures to step up the fight against illicit trade. She included illicit trade in the Road Map for Trinidad and Tobago: Transforming to a New Economy and a New Society and created a National Anti-Illicit Trade Task Force composed of several government, regulatory and law enforcement.

These measures ranged from strengthening legal frameworks, to enhancing collaboration among regulatory and enforcement agencies and with the private sector. Other measures included tasking respective Ministries and border agencies with taking action to restrict illicit trade and increasing public awareness of illicit trade and the associated dangers.⁴

Overall, the government targeted actions to reduce illicit trade of cosmetics, clothes, petroleum products, tobacco, alcohol, wildlife, music, pharmaceuticals, IPR and other tangible and intangible consumer goods.⁵ Within these sectors, the measures are aimed at improving the policy and legal framework, curb the supply of illicit goods, while also encouraging a reduction in consumer demand, enhancing transparency in the fight against illicit trade and improving the customs environment.

Given the focus of this report – to share good practices – it is notable that Trinidad and Tobago's national strategy to combat illicit trade is based on country best practices collected from the United Kingdom and the United States, experiences of developing countries such as Kenya and Malaysia, and local stakeholder consultations with key regulatory and enforcement agencies and the private sector.

ILLICIT TRADE IN TRINIDAD AND TOBAGO

Illicit trade can thrive anywhere, even in the beautiful Republic of Trinidad and Tobago. Despite a strong economy and high GDP per capita, the southernmost island country in the Caribbean is vulnerable to multiple illicit activities including trafficking of narcotics, humans, weapons, tobacco products, alcohol, wildlife and pharmaceuticals and standard consumer products.

This coincides with a dramatic escalation in violent crime in the country, which is deeply intertwined with illicit trade and smuggling operations managed by organized criminal groups. In 2022, Prime Minister Dr Keith Rowley noted that violent crime is at an extra-ordinary high and unbearable level and called for the Government to ensure that the borders are adequately patrolled to prevent illicit activities.⁶

The Government also reports that tax evasion due to illicit trade in alcohol and tobacco was as high as USD 91 million, while illegal imports cost the nation USD 61 million in 2020. In addition, there is evidence of associated organized crime such as money laundering which threatens economic growth and prevents the equitable distribution of public goods. Countries and companies lose revenue, investments, market opportunities and citizens become exposed to health risks and deprived of financial security.

Contributing to the growth in illicit trade is the disparity between import duties and taxes between islands, presence of organized crime, inadequate penalties, and

gaps in governance and regulatory structures. The country's porous borders, and the lack of enforcement due to limited and inadequate staffing and technology resources were highlighted as significant enablers for illicit trade and trafficking.

According to the local private sector, approximately 22 percent of imported alcohol is illicit. In addition, the major domestic tobacco industry players indicated that the illicit trade of tobacco accounts for approximately 5-10 percent of the market and associated tax evasion is estimated to be about USD 4.5 million annually, thereby depriving the government of revenue to fund vital public services in the health, security and education sectors.⁷

Trinidad and Tobago's structural capability to address illicit trade

The problem with illicit trade in Trinidad and Tobago was significant enough that the country ranked only 75th out of 84 economies evaluated in the Global Illicit Trade Environment Index, published by the Transnational Alliance to Combat Illicit Trade (TRACIT). Trinidad and Tobago was evaluated on a number of policy, legal, regulatory, economic, trade, institutional and cultural indicators reflecting its structural capability to effectively protect against illicit trade. At the bottom 10 globally and 3 in the region, Trinidad and Tobago scored 38 (out of 100). This is far below the global (60) and regional (64) averages. Below is the ranking of the countries in the Americas.

| Rank /84 | Country | Score /100 | Rank /84 | Country | Score /100 |
|--|---------------|------------|-----------|----------------------------|------------|
| 3 | United States | 83 | 56 | Peru | 54.8 |
| 3 | Canada | 83 | 59 | Brazil | 50.6 |
| 5 | Chile | 81 | 60 | Ecuador | 50.1 |
| Global Average | | 60 | 67 | Guatemala | 46 |
| 38 | Argentina | 64 | 69 | Jamaica | 43.7 |
| 39 | Uruguay | 63 | 70 | Paraguay | 43.3 |
| 43 | Colombia | 61.6 | 71 | Dominican Republic | 42.7 |
| 46 | Costa Rica | 60.6 | 75 | Trinidad and Tobago | 38 |
| 51 | Mexico | 58.6 | 77 | Belize | 34.7 |
| 54 | Panama | 55 | 80 | Venezuela | 28.1 |
| <i>Americas ranking and Scores from the Global Illicit Trade Environment Index</i> | | | | | |

The government response

In response to the far-reaching effects of illicit trade on the economy and public health, the government of Trinidad and Tobago announced a set of deliberate actions against all forms of illicit trade. Notably, Minister of Trade and Industry of Trinidad and Tobago, Senator the Honorable Paula Gopee-Scoon put in place a comprehensive program to step up the fight against illicit trade.⁸

During a press conference to introduce a portfolio of actions the government would undertake to combat illicit trade, she referred to the country's low ranking in the TRACIT index. "We have to improve our standing on this index," she said. She also noted that illicit trade undermines legitimate manufacturers' efforts, including their intellectual property rights and trademarks.

This multifaceted problem chips away at government revenue and budgets, impacts businesses and investments, depress lasting employment opportunities and citizens become disenfranchised and are exposed to health risks.⁹

Road Map to tackle illicit trade

In a significant move, the government in its Road Map for Trinidad and Tobago: Transforming to a New Economy and a New Society identified combatting illicit trade as a one of the issues which must be addressed to facilitate economic growth and transformation. This was specific to the manufacturing sector with a focus on alcohol, tobacco, cleaning agents and pharmaceuticals as initial priorities.

National Plan to Combat Illicit Trade

In March 2021, the government approved a National Action Plan to Combat Illicit Trade in Consumer Goods in Trinidad and Tobago. The plan prescribes a holistic approach and outlines general measures to tackle illicit trade.¹⁰ It was developed by the Ministry of Trade and Industry through research on country best practices from the United Kingdom and the United States and experiences from developing countries such as Kenya and Malaysia. The Plan also benefited from input from local regulatory and enforcement agencies and the private sector. The Plan comprises twenty-six measures aimed at achieving five broad objectives:

- Strengthening the legal framework to combat illicit trade.
- Strengthening the capacity of Ministries and enforcement agencies to combat illicit trade.
- Enhancing collaboration among regulatory and enforcement agencies.
- Promoting public-private partnerships towards fighting illicit trade.
- Increasing public awareness of illicit trade and the associated dangers.

National Anti-Illicit Trade Task Force

To enable better coordination and implementation of the National Plan, Minister Gopee-Scoon subsequently introduced the National Anti-Illicit Trade Task Force comprising of several government, regulatory, law enforcement and private sector agencies including:

- Ministry of Trade and Industry
- Ministry of National Security
- Customs and Excise Division, Ministry of Finance
- Financial Intelligence Unit of Trinidad and Tobago, Ministry of Finance
- Intellectual Property Office, Office of the Attorney General and Legal Affairs

- Ministry of Agriculture, Land and Fisheries
- Chemistry, Food and Drugs Division, Ministry of Health
- Trinidad and Tobago Bureau of Standards
- Trinidad and Tobago Police Service
- Crime Stoppers Trinidad and Tobago (non-governmental organization)
- Trinidad and Tobago Manufacturers' Association (private sector organization)
- Trinidad and Tobago Chamber of Industry and Commerce (private sector organization)

Working Groups have been established to address the four focus areas (tobacco, alcohol, cleaning agents, and pharmaceuticals) and to undertake the following activities:

- Estimate the current level of illicit trade.
- Identify the enablers of illicit trade locally.
- Review current level of taxation and its potential to incentivize illicit trade nationally and make recommendations.
- Develop recommendations to combat illicit trade.

Implementation activities

The government has been systematically implementing the national plan with focus on driving awareness and consumer education, capacity building and strengthening enforcement on the ground. These activities are being facilitated via inter-agency cooperation and partnerships between the private and public sectors. Some of these activities include:

- *Review of current legislation:* The Task Force has the responsibility to review the current legal framework that permits better and effective measures to combat illicit trade. It will aim to ensure that anti-illicit trade activities are effectively defined and put forward for consideration by the legislature,

including a review of fines and penalties. The Task Force will also (i) look at ways to reduce factors that facilitate illicit trade including corruption and money laundering, (ii) review current tax regimes of products susceptible to illicit trade to ensure that they do not incentivize consumer demand for illicit substitutes, (iii) enhance transparency in special economic zones to reduce illicit activities.¹¹

- *National and regional mechanism to collect data on illicit trade:* The government has recognized that a major challenge is the availability of proper data on illicit trade. As such, it is exploring the establishment of a national mechanism for the collection and dissemination of information on the trends, practices and actors involved in illicit trade.¹²
- *Capacity building and inter agency collaboration:* To better assess and detect illicit trade, the government has stepped up capacity-building initiatives for the Trinidad and Tobago Police Service (TTPS) and the Customs and Excise Division. Included in the measures are the development of tools such as customs recordation and a reference pricing system to improve detection of under-invoiced goods. This will require better collaboration between enforcement agencies and better sharing of information in real time.¹³
- *Collaboration external stakeholders.* The Task Force will work closely with the agencies of the Ministry of National Security providing operational support, knowledge and informational sharing, as well as capacity building. The unit is also expected to assist the Caribbean Community Implementation Agency

for Crime and Security as it strengthens capacity and policies to counter the illicit trafficking in firearms across the Caribbean region. The United States has announced the return of its Bureau of Alcohol, Tobacco, Firearms and Explosives to Trinidad and Tobago.¹⁴

- *Increase public awareness of illicit trade and the associated dangers:* Recognizing the important role that consumers play in driving the demand for illegal goods, the government will lead a nationwide awareness campaign. The campaign will be aimed at helping consumers identify illicit products and educating them on potential health risks to consumers the negative impacts of illicit trade on the local economy.¹⁵

LOOKING FORWARD

It is evident that the government of Trinidad and Tobago has taken significant steps to prevent illicit trade in recent years. These efforts are commendable and represent meaningful steps forward – in Trinidad and Tobago and as lessons for others. Nonetheless, more needs to be done and additional policy recommendations can help Trinidad and Tobago to mitigate illicit trade more effectively.

TRACIT encourages Trinidad and Tobago to prioritize its commitments to:

- **Strengthen cooperation with neighboring countries** to achieve stronger regional cooperation among the Caribbean Community (CARICOM) nations.
- **Improve access and exchange of data** to strengthen the ability to quantify impacts, prioritize enforcement activities and facilitate cooperation with international bodies, like the World Customs Organization.

In addition, TRACIT suggests several topline recommendations:

- **Include anti-illicit trade policies as part of national plans to achieve the SDGs.** As the government formulates policies and implements programs to achieve the UN Sustainable Development Goals (SDG), a first order consideration should be to reduce the deterrent forces of illicit trade and plug the fiscal leakages associated with it. This approach has the immediate effect of adding

resources and revenues back into the economy, putting more policy tools back on the table, and reducing timelines, costs and other hurdles to achieving the goals.

- **Strengthen IPR enforcement.** While key IPR legislation is in place, including those required by the WTO agreement on Trade-Related Aspects of Intellectual Property (TRIPS), the enforcement of these provisions could be stronger. Measures are needed for stricter penalties for counterfeiting and piracy, wider authority for customs officials to perform inspections and make provisional seizures of counterfeits, including goods in transit/transshipment, manage the destruction of counterfeit/illicit goods, and closer scrutiny of producers and importers of counterfeit goods.
- **Promote a clean digital environment.** Increase transparency requirements for digital supply chains, with a special focus on online marketplaces and social media platforms, to improve know-your-customer and know-your-seller programs. Increase expectations on online platforms to intensify the implementation of good practices for preventing, detecting, removing and disabling access to illegal content to ensure the effective removal of illegal content, increased transparency and the protection of fundamental rights online, while preventing abuse of those principles by illicit traders.

- **Strengthen the customs environment.** Customs and other border control agencies have a key role in combating illicit trade, with officers on the front-line conducting inspections and detecting and seizing illicit goods at import and export. Robust and clean customs agencies that are effectively trained and equipped to follow risk-management approaches and processes contribute strongly to combating illicit trade. Furthermore, bolstering Customs intelligence and enforcement capabilities, including the implementation of advanced risk management systems, is crucial to creating a sustainable and effective anti-illicit trade framework.
- **Tighten enforcement measures on goods in transit and transshipment.** It is critical that authorities intercept illicit goods in transit/transshipment. For example, it is comparatively easy for Customs to inspect and intercept large quantities of counterfeit and illegal products transiting/transshipping through a particular port as compared to when it has already dispersed to reach multiple consumer markets.
- **Strengthen criminal penalties.** Raising standards for criminal penalties across the region should be a priority to prohibit illicit traders from exploiting countries and markets with the weakest penal regimes. In addition to court-imposed penalties and fines, consideration should be given to rescinding business licenses from retailers, manufacturers and distributors involved in illicit trade.
- **Tackle pervasive corrupt practices.** Corruption is one of the key drivers that facilitate illicit trade, notably at the level of customs, law enforcement

authorities and the judiciary. The TaskForce aims to tackle corruption as one of the activities and this needs to be prioritized for as long as corruption persists within government agencies, any attempt to strengthen border policing and control will have limited effect. Increased automation in customs procedures can be effective in mitigating opportunities for corruption. Addressing corruption at all levels of government must be tackled head-on if strategies to combat illicit trade are to have any chance for success.

- **Tighten controls on money laundering.** Denying access to entities and mechanisms used to launder proceeds of crime – and thereby depriving criminals and their networks of related profits – is one of the most effective ways to deter illicit trade. TRACIT recommends that the anti-money laundering regime that the Task Force is charged at developing to be holistic and comprehensive and includes the ability to trace, freeze, seize and confiscate assets related to illicit financial flows.

Conclusion

Governments are eager to learn from examples of what has already been done by their peers in other governments. For this reason, TRACIT has launched a series of studies showcasing actions that governments are undertaking to mitigate illicit trade. These case studies aim to show the significant value of prioritizing efforts to mitigate illicit trade, along with tangible steps that can be taken to do so. They are intended to support governments by providing practical examples they can use to implement reforms and controls to mitigate illicit trade, including introducing or amending relevant laws and regulations.

NOTES

¹ TRACIT's Good Practices to Combat Illicit Trade can be found at: www.tracit.org/good-practices.html

² Loop Business. (2022, September 13). Illicit trade on the rise: Here's how consumers can help stop it. Loop Business. <https://tt.loopnews.com/content/illicit-trade-rise-heres-how-consumers-can-help-stop-it>

³ Mc Kenzie, R. (2021, March 17). Gopee-Scoon: Over \$90m loss in illegal imports in two years. Trinidad and Tobago Newsday. <https://newsday.co.tt/2021/03/17/gopee-scoon-over-90m-loss-in-illegal-imports-in-two-years/>

⁴ Government of the Republic of Trinidad and Tobago Ministry of Trade and Industry. (2021). Anti-Illicit Trade Task Force Appointed [Media release]. n.p.: Ministry of Trade and Industry. <https://tradeind.gov.tt/wp-content/uploads/2021/05/Anti-Illicit-Trade-Task-Force-appointed.pdf>

⁵ Loop News. (2021, November 30). TTMA commends gov't crackdown on illicit trade. Loop T&T News. <https://tt.loopnews.com/content/ttma-commends-govt-crackdown-illicit-trade>

⁶ Ragoonath, R. (2022, July 27). TTMA worried about crime. Trinidad & Tobago Guardian. <https://www.guardian.co.tt/news/ttma-worried-about-crime-62.1524670.84fe1cf271>

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⁸ Mc Kenzie, R. (2021, March 17). Gopee-Scoon: Over \$90m loss in illegal imports in two years. Trinidad and Tobago Newsday. <https://newsday.co.tt/2021/03/17/gopee-scoon-over-90m-loss-in-illegal-imports-in-two-years/>

⁹ Mc Kenzie, R. (2021, March 17). Gopee-Scoon: Over \$90m loss in illegal imports in two years. Trinidad and Tobago Newsday. <https://newsday.co.tt/2021/03/17/gopee-scoon-over-90m-loss-in-illegal-imports-in-two-years/>

¹⁰ Gopee-Scoon, P. (2021). National Action Plan to Combat Illicit Trade in Consumer Goods in Trinidad and Tobago [Speech to be delivered at press conference]. n.p.: Republic of Trinidad and Tobago Ministry of Trade and Industry. <http://www.news.gov.tt/sites/default/files/Final%20Speech%20Illicit%20Trade%20Task%20Force.pdf> ;

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¹¹ Gopee-Scoon, P. (2021). National Action Plan to Combat Illicit Trade in Consumer Goods in Trinidad & Tobago [Press Conference]. n.p.: Republic of Trinidad and Tobago Ministry of Trade and Industry. <https://tradeind.gov.tt/wp-content/uploads/2021/03/17-03-21-Illicit-Trade-Task-force.pdf>

¹² Gopee-Scoon, P. (2021). National Action Plan to Combat Illicit Trade in Consumer Goods in Trinidad & Tobago [Press Conference]. n.p.: Republic of Trinidad and Tobago Ministry of Trade and Industry. <https://tradeind.gov.tt/wp-content/uploads/2021/03/17-03-21-Illicit-Trade-Task-force.pdf>

¹³ Gopee-Scoon, P. (2021). National Action Plan to Combat Illicit Trade in Consumer Goods in Trinidad & Tobago [Press Conference]. n.p.: Republic of Trinidad and Tobago Ministry of Trade and Industry. <https://tradeind.gov.tt/wp-content/uploads/2021/03/17-03-21-Illicit-Trade-Task-force.pdf>

¹⁴ IzzSo. (2022, May 5). TTMA Optimistic Over Return Of US Bureau Of Alcohol, Tobacco, Firearms And Explosives. IzzSo. <https://izzso.com/ttma-optimistic-over-return-of-us-bureau-of-alcohol-tobacco-firearms-and-explosives/>

¹⁵ Gopee-Scoon, P. (2021). National Action Plan to Combat Illicit Trade in Consumer Goods in Trinidad & Tobago [Press Conference]. n.p.: Republic of Trinidad and Tobago Ministry of Trade and Industry. <https://tradeind.gov.tt/wp-content/uploads/2021/03/17-03-21-Illicit-Trade-Task-force.pdf>



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