TRANSNATIONAL ALLIANCE TO COMBAT ILLICIT TRADE
TRACIT.ORG

COUNTRY PROFILE

NICARAGUA

Nicaragua has gained notoriety for its role in allowing illicit trade across sectors to persist—becoming labeled by the US Trade Representative as a burdensome nation to which US commerce and trade should be restricted. While Nicaragua is not a major producer of most illicit products, it has emerged as a significant trafficking corridor for arms, counterfeit goods, contraband excisable items, and environmental crimes.

AT A GLANCE

149th
GLOBAL RANK

7th
REGIONAL RANK

33.3
SCORE OUT OF 100

STRONGEST AREA
Taxation and Economic Environment

WEAKEST AREA
Supply Chain Intermediaries

OVERVIEW

Nicaraguas' high-risk assessment can be attributed to its low scores across the six categories reviewed by the TRACIT Illicit Trade Index, which evaluates the country's vulnerability to illicit trade. Honduras' total score of 33.3 places it among the bottom ten performers on the Illicit Trade Index. This poor performance reflects a country where illicit trade is a deep-rooted, systemic issue driven by the normalization of informal and criminal economies.

KEY VULNERABILITIES

- Large informal economy based in criminal activity
- Weak oversight of critical logistics networks
- Very poor enforcement inhibited by a lack of resources and corruption

KEY SECTORS AFFECTED

- Illicit Tobacco
- Environmental Crime
- Counterfeit Goods

MAJOR DRIVER

High Informality

A large informal economy enables illicit goods to circulate through unregulated markets and reduces tax collection and enforcement outcomes.

Consequences of Informality

- Weak economy
- Lowered Tax Revenue
- Labor exploitation

POLICY RECOMMENDATIONS

- Deploy risk-based inspections at key transit points.
- Require all port operators, postal services, freight forwarders, and logistics companies to implement formal compliance programs that monitor shipments for illicit, counterfeit, or high-risk goods.
- Formalize the informal economy by expanding microfinance and tax incentives for small traders in Managua, Bluefields, and rural areas.
- Rationalize taxation policies to decrease demand for illicit excisable goods.