



1st Combatting Illicit Trade Summit of Customs Directors-General – Americas Region

Panama City, Panama, 26-27 March 2024

Event Summary

Overview/metrics

- The *1st Combatting Illicit Trade Summit of Customs Directors-General – Americas Region* was co-organized and co-hosted by Autoridad Nacional de Aduanas de Panamá (represented by Tayra Barsallo, Director-General, ANA) and the Transnational Alliance to Combat Illicit Trade (represented by Jeffrey Hardy, Director-General, TRACIT). The event was held in Panama City, Panama, 26-27 March 2024.
- The meeting featured Customs Directors-General from 25 countries: Argentina, Barbados, Bolivia, Bonaire, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Jamaica, Mexico, Nicaragua, Panama, Peru, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago, Uruguay and the United States. Notably, six last-minute regrets were received from British Virgin Islands, Haiti, Nicaragua, Paraguay, and St. Kitts and Nevis. (*See Annex 1 for Participants List*).
- The Summit benefited by participation and contributions from key Intergovernmental Organizations including the World Customs Organization (WCO), the Organization for Economic Co-operation and Development (OECD), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- The audience featured 135 experts from the private sector, including local business organizations such as Business Alliance for Secure Commerce-Panama (BASC), Alianza de Bebidas Espirituosas de Latinoamérica y el Caribe (ABELAC), Alianza Latinamericana Anticontrabando (ALAC). The event was sponsored by expert anti-illicit trade technology suppliers Countercheck and S2 Global.
- TRACIT member companies played key roles in the event, providing private sector expertise and viewpoints. These included presentations from Julie Mejia of Procter & Gamble, Stanislas Barro of Novartis, Regina Zamith of Johnson & Johnson, Isaac Morales of ABELAC, Monica Ramirez of Anheuser-Busch InBev, Wendel Correia of Syngenta, Hugo Morán of MORAN IP, and Maria-Elena Lambraño of Chanel.

Outcomes

The objective of the Summit was to bring together Customs Directors-General to strengthen coordination, capabilities and common standards in mitigating illicit trade.

Delegates acknowledged the following circumstances:

- A clear and urgent need to prioritize and protect the region from illicit trade occurring in multiple sectors, including alcohol, clothing and luxury goods, consumer products, pharmaceuticals, pesticides, petroleum and tobacco. The Summit also acknowledged the need to address significant illicit trade in forestry products, fish, gemstones, and wildlife.
- Traffickers exploit structural and situational weaknesses that are common to Customs authorities throughout the America's region.
- The attending Customs agencies possess a significant amount of expertise and experience with a variety of approaches to mitigate illicit trade.

Delegates agreed:

- Collective action and collaboration with neighboring Customs agencies can improve the mitigation of illicit trade to the benefit of the region and the many destination countries for illicit trade.
- Establishment of an informal, active, regional platform for neighboring agencies can facilitate the exchange of best practices and strengthen enforcement mechanisms.
- The Summit featured the collective endorsement of a *Joint Statement on Illicit Trade Mitigation*, which was introduced by Maria Gabriela Ochoa Ochoa, Director of Customs, Ecuador. In her remarks, she noted the Joint Statement provides a testament to the collective resolve of the attending Customs agencies to protect their economies and societies from the harms of illicit trade. Ms. Barsallo added that the Declaration represents the beginning of a concerted effort to protect and promote fair trade in the Americas.
- Reflecting the spirit and enthusiasm to continue their work, several delegates requested that TRACIT coordinate a second edition of the Summit in 2025 and invited opportunities for coordination and capacity building sessions along the way.
- In addition to planning a second Summit, several specific projects were proposed to pave the way for innovative and unified solutions against illicit trade:
 - Partnering in a regional operation focused on pharma crime.
 - Establishing a standard that Customs agencies can use for measuring trends and exchanging information on illicit trade in alcohol.
 - Preparing a regional strategic plan for mitigating the illicit trade in pesticides and seeds, with a focus on Customs cooperation with law enforcement agencies.

Roundtable discussions

The Summit was uniquely designed to address the challenge of illicit trade, focusing on the role of Customs agencies to conduct inspections, detect and identify and carry out seizures of illicit products.

Its premise was that challenges common to Customs agencies throughout the region can benefit from shared solutions by neighboring agencies. These include challenges relating to transportation intermediaries (e.g., rapid growth in small package shipments and limited oversight in Free Trade Zones) and structural weaknesses (e.g., limited coordination with external agencies and complex and fragmented regulatory frameworks).

Discussions were organized to enable delegates to report on experiences, challenges and limitations and to share remedies and best practices that could help to tackle these issues.

Rapid growth in illicit trade in small packages

Trafficking of illicit goods in small packages (both through mail and express carriers, largely via air cargo) is growing in significant volumes. Delegates addressed this trend and noted how the high volumes of shipments strain the already limited customs capacities. They pointed out that they have traditionally been equipped to screen larger bulk shipments more than to manage the screening of flood of smaller packages. Most delegates reported that they need better risk profiling systems, especially since the shippers are intentionally mis-declaring goods or are improving methods for disguising goods. While some agencies reported the successful implementation of new screening technologies, it was commonly held that more units were needed. Other agencies reported having little to no access to new technologies. All delegates agreed that technological improvements must go hand in hand with training human resources to use the technologies and to better recognize and respond to the deceptive tactics of illicit shippers. Several delegates suggested that sharing advanced data throughout the region could be very helpful. Also, it was suggested that engaging with or requiring e-commerce platforms and (express) mail carriers to contribute/collaborate information should be pursued.

Delegates concluded that future meetings and work efforts should seek to improve risk assessment capabilities (i) encouraging better collection and relay of EAD including the development of information systems that can effectively communicate with each other, (ii) establishing cooperation with carriers (express and postal) and e-commerce platforms to encourage contributions of their large amounts of data.

Controlling illicit trade in Free Trade Zones

It was widely agreed that Free Trade Zones (FTZ) facilitate trafficking of illicit goods, and the lack of transparency and oversight in many FTZs presents a significant challenge for Customs to (i) control their misuse internally (e.g., for assembly, manufacturing, re-packaging or disguising country of origin) and (ii) mitigate re-export to another country or FTZ.

Delegates listed several challenges and issues for further work, including the need to improve clarity in regulations governing Customs authority in FTZs, the need for additional resources,

especially given the growth in the number of FTZs and the extremely high volumes of shipments processed in FTZs. Notably, delegates reported that effective cargo inspection is hampered by shortages of human and technological resources.

There was discussion on the need to conduct risk profiling of suspect shipments, conduct ex-officio checks in FTZs and to extend Customs supervision to the FTZ perimeter. To this, Colombia reported on emerging legislation that would give the customs agency more control over what enters and exits the FTZs, including requirements for better exchange of AED and advanced declarations. Several delegations were interested to know more about the OECD Recommendation on Countering Illicit Trade and associated participation in the pilot programs.

Expanding collaborations to strengthen border control

More effective deterrence of illicit trade will require vigilant and coordinated efforts across the region. Delegates emphasized that Customs work can't be done in silos and collaboration was needed across diverse groups, including the private sector and friendly governments. Beyond the crucial Customs-to-Customs cooperation, it's essential that these agencies engage with other law enforcement bodies responsible for tackling illicit trade, as well as with regulators who can assist in determining the legality of goods. Multi-agency collaboration is crucial to drive data sharing and real-time information exchange on suspected consignments and importers/exporters. In addition, intelligence sharing and facilitating the exchange of best practices between neighbors in the region can significantly boost the effectiveness of Customs' response to illicit trade.

Delegates addressed the value of expanding collaboration among Customs authorities across borders and with enforcement agencies, postal services, international organizations, and the private sector. Several delegations pointed out that collaboration was needed on penalties, intelligence, mechanisms for better communications and working with IP rights holders, based on their knowledge about their products and high-risk shippers. Other suggestions included increasing operational data-sharing and participating in regional operations such as those conducted by WCO and INTERPOL.

Structural vulnerabilities to illicit trade

Customs action can be limited by structural vulnerabilities, including legislation that prevents appropriate measures from being taken to eradicate illicit trade. For example, in the area of IPR protection, some laws can differ significantly in the treatment of counterfeit goods in transit. Similarly, the importation of counterfeit medicines is criminalized in some countries but not in others. In some countries there are not often clear pathways between Customs and regulators or rights holders so that determining whether goods are counterfeit can be a cumbersome process. In some cases, national legislation limits the amount of time Customs can detain goods, while ports may charge demurrage fees for non-cleared containers remaining in the port.

Delegates addressed remedies and best practices to reduce vulnerabilities stemming from complex and fragmented regulatory frameworks. More than one delegate mentioned that

the biggest structural challenge is that the mission for Customs is too wide and that agencies are called upon to do too much, especially if they don't possess the technical knowledge or expertise required to effectively enforce a diverse spectrum of legal frameworks. The lack of harmonization of laws across the region exposes opportunities for exploitation in the weaker regimes. Delegates pointed out that even neighboring countries can have significant differences in legislation, making it extremely difficult to be on the same page. It was widely held that the burdens of inspecting "all" containers could be improved by better cooperation with the private sector, such as for exchange of intelligence and to help make the best decisions. There was discussion on the diversity of import duties and excise tax rates in the region, which complicates the regulatory landscape and enables criminals to exploit this through smuggling or tariff misclassification and undervaluation of goods to pay lower duties. Generally, delegates agreed that further work could be done to review conflicting regulations, penalties for violations, duties and taxes and checking whether current regulations are keeping pace with the evolving tactics of illicit traders.

Illicit trade in pharmaceuticals

Delegates examined the trends and risks of illicit trade highlighting the negative impacts and challenges encountered. Across the board, delegates mentioned the problem of illicit trade in pharmaceuticals was exacerbated by the significant increase in small parcel shipments and that stopping illicit trade in pharmaceuticals must be prioritized because of consumer health risks and the involvement of organized crime. They called for the development of a comprehensive strategy that could be presented for discussion at the next Summit, and which could in the interim be complemented by smaller, targeted operations focused on pharma crime.

Illicit trade in alcohol

Delegates discussed the main challenges faced by customs authorities in countering illicit trade in alcohol and how they can be overcome, including how the private sector can best contribute to the efforts of Customs authorities. Delegates uniformly reported that illicit alcohol represents significant and troubling shares of domestic markets, with some countries reporting very high levels greater than 20%. Additionally, it was noted that illicit alcohol presents a challenge for tax revenue collections and presents significant health risks for consumers. Again, delegates noted the involvement of criminal groups. Costa Rica proposed that TRACIT work with the group to establish a standard that Customs agencies can use for measuring trends and exchanging information on illicit trade in alcohol.

Illicit trade in Pesticides

Illicit pesticides and seeds trade in LATAM are facilitated by complex supply chains involving numerous entities and geographical locations, making regulatory oversight challenging. Notably, illegal pesticides, including those that are banned, are smuggled across borders are mainly from Paraguay, Uruguay and Bolivia. This has led to the circulation of these illicit pesticides throughout the region, highlighting the urgent need for improved regulatory measures, enforcement, and international cooperation to address the risks and challenges posed by the illicit pesticides trade.

Delegates addressed the main challenges faced by Customs authorities in countering illicit trade in pesticides, particularly as it relates to product from India and China entering Paraguay and trafficked to Brazil and Argentina. They also acknowledged the need to address the associated illicit trade in seeds. There was also concern raised on the best ways to collaborate with tax agencies. It was suggested that preparations for the next Summit include outlining a regional strategic plan for mitigating the illicit trade in pesticides and seeds, with a focus on Customs cooperation with law enforcement agencies.

Illicit trade in counterfeits

Delegates addressed the dangers behind counterfeit consumer products, negative consequences for consumer health and safety, and opportunities for brand owners to collaborate more effectively with local authorities – including information shared to brand owners and improving two-way communications. They called for greater input from the private sector, which has experience in product identification, identifying high-risk shippers, and trade routes. It was also suggested that modernization of IP related laws can increase the efficiency and effectiveness of Customs agencies. All delegates agreed that Customs benefit from capacity building and training available from brand owners and associated entities.

Appendix 1 Participants

Hosts

- Ms. Tayra Barsallo, Director-General, National Customs Authority of Panama.
- Mr. Jeffrey Hardy, Director-General, Transnational Alliance to Combat Illicit Trade.

Attending Customs Agencies

1. Argentina – Rosana Ángela Lodovico, General Director of Customs, Federal Administration of Public Revenue.
2. Barbados – Owen Holder, Comptroller of Customs, HM Customs & Excises.
3. Bolivia – Karina Liliana Serrudo Miranda, Executive President of the Bolivian Customs.
4. Bonaire – Claudia Toet, Director, Tax and Customs Administration Caribbean Netherlands.
5. Brazil – Cláudia Thomaz, Undersecretary of Customs Administration - Special Secretariat of the Federal Revenue of Brazil.
6. Canada – Mélanie Maisonneuve, Director, International Network Americas Region, Canada Border Services Agency.
7. Chile – Alejandra Arriaza Loeb, National Director, National Customs Service.
8. Colombia – Claudia Patricia Marín Jaramillo, Customs Management Director, National Tax and Customs Directorate.
9. Costa Rica – Cristian Montiel Torres, Deputy Director General of Customs.
10. Dominica – Vincent Christmas, Deputy Comptroller of Customs, Customs and Excise Agency.
11. Dominican Republic – Eduardo Rodriguez, Customs Representative.
12. Ecuador - Maria Gabriela Ochoa Ochoa, Director of Customs.
13. El Salvador – Raúl Antonio Medrano Ruiz, Deputy Director Legal Affairs.
14. Grenada – James Rickey, Deputy Comptroller of Customs.
15. Guatemala – Engineer William Dennis Quixtan, Interim Chief of Customs.
16. Jamaica – Velma Ricketts Walker, Chief Executive Officer, Jamaica Customs Agency.
17. Mexico – General Juan Manuel Diaz Organitos, Chief of Cabinet of Customs.
18. Nicaragua – Juan José Obando Robleto, Deputy Director General, General Customs Services Directorate.
19. Panama – Tayra Barsallo, Director of Customs, National Customs Authority of Panama.
20. Peru – Fernando Waldir Núñez Jáuregui, Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT) de Peru.
21. Saint Lucia – Sherman Emmanuel, Comptroller of Customs & Excise (Ag).
22. Saint Vincent and the Grenadines – Selwyn Da Silva, Comptroller of Customs, Customs and Excise Department.
23. Trinidad and Tobago – Darren Bholá, C&E Supervisor of the Preventive Branch - Customs & Excise Department.
24. Uruguay – Jaime Pablo Borgiani Lusby, Director of Customs.
25. United States – Pete Flores, Acting Deputy Commissioner, US Customs and Border Protection.

VIP Guest Speakers

- Ivonne Higuero, Secretary-General, Secretariat of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

- Javier Enrique Caraballo Salazar, Attorney General of the Nation of Panama.
- James McColm, Acting Deputy Director Compliance, World Customs Organization.
- Phil Hamilton, CEO, CounterCheck.
- Randy Barnby, Vice President, S2 Global.
- Giomar González, Executive Director, Business Alliance for Secure Commerce, Panama.
- Juan Carlos Buitrago, CEO, Strategos IP.