

Policy Recommendations to Combat Illicit Trade

Inspired by the Global Illicit Trade Environment Index

Europe

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 Europe.

Regional Priorities for Europe

- **Strengthen criminal penalties across the EU.** Criminal sanctions for trademark and copyright infringements remain a challenge for EU member states to improve the consistency of penalties and levels of enforcement. Raising standards across the region should be a priority to prohibit illicit traders from exploiting the weakest penal regimes.
- **Address corruption,** which is a key enabler of illicit trade in Europe. It is critical that policies and controls targeted at preventing corruption contribute to reinforcing integrity in the global supply chain. Addressing corruption must become a much higher priority for world order and must be tackled head on if governance strategies to combat illicit trade have any chance for success
- **Target widespread abuse of customs and excise procedures within the EU Transit system,** which allows for the movement of illicit goods under duty suspension (commonly referred to as T1 Fraud or T2 Fraud).

- **Step up efforts to ensure the integrity of express mail, international courier and postal services.** Illicit products, including falsified medicines, illegal wildlife and counterfeits are increasingly sold online and distributed in small parcels directly to oft-unwitting customers. There is an urgent need to review the regulation of private courier services so as to mitigate weaknesses in the system. Increased engagement with intermediaries and digital commerce platforms along with deeper cooperation between government and the private sector must be undertaken.
- **Promote a clean digital environment.** The internet is a primary enabler of the distribution of illicit goods throughout Europe, notably for pharmaceuticals. This poses new challenges for law enforcement and new risks to consumers. To guard against the abuse of internet platforms, more must be done to promote effective prevention measures by encouraging the development and adoption of the appropriate use of automated tools for rapid notice, takedown and stay down, filtering and redress and the use of risk scoring services, website blocking and preventive measures to be implemented by online payment services.
- **Rationalize tax policies, subsidies and tax exemptions** that lead to smuggling, adulteration and theft. A key driver of illicit trade of alcohol, fuel and tobacco products in Europe is tax and price differentiation, so it's critical that these measures do not incentivize illicit trade. Consider adopting simple, single tier specific tax structures, accounting for various demand-related factors including overall consumption, price, income levels and the ensuing affordability of products.
- 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; require reporting from FTZ 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.
- **Initiate partnerships** between all stakeholders (e.g. governments, brand owners and intermediaries, NGOs) to bring about effective change and information sharing in order to combat illicit trade and reduce vulnerabilities through early detection. Mechanisms for the private sector to share information and suspicions with law enforcement and industry regulators should be non-coercive, permitting information sharing without imposing any undue obligations.
- **Enhance strategic and operational intra-EU and extra-EU cooperation to address the illicit trade, security and terrorism threats that affect the region.** This includes assistance with capacity building and strengthening international police and judicial cooperation to counter organized crime's involvement in illicit trade. For example:
 - The 2016 Administrative Cooperation Arrangement (ACA) concluded by the European Anti-Fraud Office (OLAF) and the State Customs Committee of Belarus is designed to facilitate investigative cooperation between the two

services in the fight against fraud, specifically targeting the illicit trade in tobacco products.

→ The EU-Ukraine IPR Dialogue enables both countries to exchange information on multilateral and bilateral IPR-related issues, on national IP legislation and enforcement practices, and to identify shortcomings and proposals for improvement.

- **Promote legal and sustainable alternatives to illegal goods**, including through economic incentives, bilateral agreements and by endorsing credible certification programs and licensing schemes that guarantee that goods are legally sourced and produced in an environmentally and socially responsible manner.
- **Implement national action plans and regional cooperation strategies to combat human trafficking**, including both technical and operational cooperation with all relevant partners, including multilateral actors (European Union, OSCE) in order to encourage capacity building, prevention, the protection of victims and the dismantling of criminal networks.
- **Strengthen the global partnership of source, consumer and transit countries against wildlife trafficking**. Europe is a key a transit region for endangered species of flora and fauna between continents, with EU member states serving as transit points for species, particularly between Africa and Asia. The EU Action Plan against Wildlife Trafficking represents an important step, but a continued lack of awareness among the general public and political engagement within the European capitals represent major obstacles to combating wildlife trafficking effectively. Governments must implement and enforce existing rules, as well as initiate consumer awareness campaigns and education initiatives to reduce the demand for and the supply of illegal wildlife products.

Additionally,

- Develop internal strategies to combat illicit trade. While border crossings represent a key intervention point, anti-illicit trade strategies to must also monitor domestic activity. Domestic manufacturing of illicit goods is increasingly being used as a means to reduce both transport costs and the risks associated with transiting the EU's external border.
- Ensure that law enforcement has the authority, know-how and resources to successfully conduct financial investigations, and to freeze and recover criminal assets. The UK Proceeds of Crime (POCA) laws are a good example of this.
- Provide adequate means for sharing intelligence and information on illicit trade patterns and activities across borders and between the relevant authorities at national, EU and European level. Legal gateways to exchange information and law enforcement cooperation and partnerships are vital to effectively combat organized crime and excise fraud.

- Establish joint investigations on illicit trade/trafficking/criminal organizations and an intelligence sharing system oriented towards improving cross-border interdictions.
- Study patterns of alcohol/fuel/tobacco flows into and out of a country. Trade discrepancies not only provide an estimate of smuggling activity, but they can pinpoint important sources for illicit activity.
- European countries need to continuously evaluate current and future risks of illicit trade and adapt strategies to address these. Examples include cybercrime, abuse of transportation routes such as the new Belt and Road Initiative, and economically motivated food adulteration.