

POSTAL OPERATIONS COUNCIL
Committee 1 (Supply Chain)
Postal Security Group
Countering illicit trade in the supply chain strategy – Joint UPU–TRACIT survey on small parcels
Document by TRACIT
(Agenda item 9a)

1 Subject	References/paragraphs
Counterung illicit trade in the postal supply chain.	§§ 1 to 4 and Annex 1 and 2
2 Decisions expected The Postal Security Group is requested to: <ul style="list-style-type: none"> – review the joint position paper, provide comments as appropriate, and endorse for submission to the POC for approval; – endorse the creation of an Illicit Trade Expert Team under the Postal Security Group. 	§§ 1 to 4 and Annex 1 and 2

I. Introduction

1 The Transnational Alliance to Combat Illicit Trade (TRACIT) was established in 2017 as a not-for-profit private sector initiative to mitigate the economic and social damage of illicit trade by strengthening government mechanisms and integrating supply chain controls across the industry sectors most affected by illicit trade. TRACIT previously provided a presentation on illicit trade to the POC C1 PSG 2019.2 meeting. More information can be found on the TRACIT website at www.tracit.org.

2 Considering that a large majority of designated operators (DOs) view this as an important problem and face challenges in addressing the situation, the International Bureau (IB), in collaboration with TRACIT, has drafted this joint position paper (Annex 1) based on the information provided via the survey issued with reference letter 4293(DOP.SC.PSG)1014. The goal of the position paper is to raise awareness and provide stakeholders with tools to ensure the efficiency of their supply chains and reduce infiltration points and other vulnerabilities associated with the increase in illicit goods shipped via their networks.

3 Considering the increasing trend of criminals using small parcels to transport illicit goods through national postal networks, the Postal Security Group (PSG), in collaboration with TRACIT, developed a survey (cited above) titled “Survey for designated operators on illicit trade in mail items”, which was transmitted to UPU member Posts for completion by 7 May 2021. Responses were received from 116 DOs, highlighting the importance of this subject by the membership (Annex 2).

4 The members of the PSG are requested to provide feedback and suggestions as necessary and endorse the joint position paper for submission to POC Committee 1 for approval. The PSG is also requested to endorse the establishment of an Illicit Trade Expert Team to continue to examine the issues identified in the joint position paper and develop mitigation solutions.

Berne, 5 January 2022

UPU–TRACIT joint position paper on illicit trade via national postal networks

I. Background

Trafficking of illicit goods via small parcels is growing in significant volumes and is increasingly becoming a complex problem for law enforcement authorities to tackle.

Substantial vulnerabilities are exposed by the lack of systematic and harmonized operational, regulatory and enforcement frameworks between law enforcement authorities and designated operators (DOs). Postal networks across different regions face different challenges in addressing this issue, both from a capacity-based perspective and with data analytics. Criminals exploit the vulnerabilities in the structural and institutional frameworks and weaknesses in IT infrastructure unable to adapt to the dynamic nature of illicit trade.

Significant data is available to demonstrate the exponential growth in the abuse of postal and express services, especially that fuelled by e-commerce, to deliver illegal goods (see OECD/EUIPO (2018), *Misuse of Small Parcels for Trade in Counterfeit Goods*). This growth has outpaced the development and implementation of relevant legal, regulatory and operational frameworks to effectively monitor and intercept illegal goods at borders.

Although DOs have been facing this issue for many years, it is only in recent years that the role of small parcels in facilitating illicit trade has garnered attention in the international policy, regulatory and enforcement environment owing to the negative impact of illicit trade on economy and society worldwide.

The UPU recognizes that the safety and security of the postal sector as part of the global supply chain is critical to supporting worldwide commerce and communication. The UPU letter-post and parcel regulations clearly stipulate the type of items that cannot be sent by post internationally. Posts inform customers of these prohibited items, which, among others, contain illicit drugs, counterfeit and pirated articles, and explosive or flammable goods.

The Postal Security Group (PSG) looks at ways of improving the safety of mail shipped via postal networks. It has been seen that the increasing use of the Post by e-commerce sellers has resulted in an increased risk of dangerous goods being introduced into international mail, despite the general prohibition of dangerous goods therein.

Despite these efforts, the responses from DOs to the TRACIT–UPU survey demonstrate that much more could be done to secure their supply chains from a broad range of illicit goods.

II. Survey on illicit trade

The PSG, in collaboration with TRACIT, sought information from DOs through a survey titled “Survey for designated operators on illicit trade in mail items”.

The survey addressed illicit and prohibited goods in the postal supply chain, including controls over the introduction of such goods into the supply chain, current training programmes, and future needs to assist in mitigation of these items. Illicit goods were defined as items forbidden by law, rules or customs. The survey contained 25 questions across five categories: a) overview of illicit trade in postal networks; b) digitization; c) electronic advance data; d) inspections and interventions; and e) current efforts and solutions.

It was disseminated to 192 member countries and received an unprecedented response from 116 DOs across six regions.

<i>Region</i>	<i>Total number of respondent DOs</i>
Asia	29
Africa	18
Americas	17
Arab	9
Europe	31
Caribbean	12
Total	116

Summary of survey responses

The following section summarizes the survey responses across the five categories in the survey. Note: Each question had a different number of respondents. "Respondent designated operators (RDOs)" represents the number of respondents per question, wherever this is possible to indicate. Please see Annex 2 for the full results.

A. Illicit trade in postal networks

1 Scale and impacted sectors

Illicit trade is overwhelmingly encountered by 90% of the RDOs. While illicit trade is a problem in most countries, 54% of the RDOs had not seen an increase in the last five years. Notably, a majority of the participants in the Americas, Europe and Arab regions had seen an increase. All regions are noting illicit trade in multiple sectors. The RDOs were provided with 20 categories of goods to report where they observe illicit trade. All regions except for the Arab and the Americas regions listed narcotics as the main sector in which illicit trade occurs. Illicit tobacco and pharmaceuticals were most observed across all regions, followed by electronic goods.

2 Vulnerabilities in postal supply chain

RDOs view the lack of knowledge of the applicable prohibitions among postal customers, together with inaccurate/ incomplete data, as the chief reasons for the entry of illicit goods. This is followed by insufficient due diligence at the origin Post collection point. It is also interesting to note that in addition to consumer awareness, due diligence and collection of data, RDOs also cited the insufficient involvement of law enforcement authorities in intercepting illicit goods as one of the key reasons why illicit trade flourishes in postal networks.

B. Digitization

3 Digitization of supply chains

In all regions except Europe, a majority of the RDOs do not have fully digitized supply chains. About 65% of the total RDOs reported that their supply chains are not fully digitalized. This phenomenon is particularly prevalent in the Arab (88%) and Caribbean (83%) regions. RDOs noted various reasons for the lack of digitization. Some common responses include the following: the digitization process is ongoing and pending completion; insufficient IT infrastructure; and lack of resources and capacity.

4 IT systems in place for effective risk management

Around 60% do not have appropriate IT systems in place for effective risk management. Globally, there is no indication of a harmonized system used by RDOs for their operations. While several noted X-ray and screening mechanisms, some cited using the UPU Customs Declaration System (CDS) and International Postal System (IPS). Other systems mentioned include CUSITM; CUSRSP; the UNCTAD automated system for customs data (ASYCUDA); ERIAN (customs risk system); and track and trace.

C. *Electronic advance data (EAD)*

5 *Transmission of EAD beyond ITeM ATtribute (ITMATT)*

More than 60% of RDOs feel that ITMATT data is insufficient for their internal risk management systems to identify illicit goods. Only around 35% of RDOs send data in addition to the ITMATT. Although this additional data differs, several reported sharing country of origin details, trusted consignor ID, and parcels invoices.

6 *Data quality and non-compliance*

There is no uniform manner of treating parcels with poor or incomplete ITMATT EAD. Several RDOs store the product until regularization, while others delay the delivery of parcels. Only two RDOs impose a penalty. Even within the regions, there is no uniform way in which RDOs deal with non-compliant EAD.

7 *CN 22/CN 23 data*

The majority in all regions except Africa and Europe responded that CN 22/CN 23 data was not sufficient for their internal risk management systems to identify illicit goods. Furthermore, a majority in all regions except Africa responded that in their experience the CN 22/CN 23 data is not sufficient for their national customs authority's risk management system to identify illicit goods.

8 *Penalty by Customs for non-compliant EAD*

Most RDOs (across all regions) stated in consensus that the national customs authority does not impose a penalty on its DO for relaying non-compliant EAD.

D. *Inspections and interventions*

9 *Physical and digital inspection of mail items*

Around 40% of RDOs perform only physical inspections of mail items, while 45% conduct both physical and digital inspections. Eleven percent of the RDOs noted that they are not responsible for inspections as it is the responsibility of law enforcement authorities – either Customs (majority response), the police, or a relevant government agency (narcotics, agriculture or environment board, etc.). Eighty-five percent of the RDOs inspect both inbound and outbound parcels.

<i>Region</i>	<i>Physical</i>	<i>Digital</i>	<i>Both</i>	<i>Neither</i>	<i>Total RDOs</i>
Asia	12	1	14	2	29
Africa	9	0	7	2	18
Americas	6	0	6	3	15
Arab	2	0	6	1	9
Caribbean	4	1	5	2	12
Europe	13	1	13	3	30
Global	46	3	52	13	114

10 Mechanisms for inspection

A majority of RDOs inspect parcels through x-ray systems with intrusive physical inspections, followed by X-rays with non-intrusive inspections and feedback into risk management systems (RMS) based on intelligence from law enforcement authorities. Other practices include manual inspection and canine detection. There is little or no engagement with the private sector to gather input that can be used in RMS.

<i>Region</i>	<i>Risk assessment with technology solutions</i>	<i>Active feedback from private sector into RMS</i>	<i>Active feedback from law enforcement into RMS</i>	<i>X-ray with intrusive physical inspections</i>	<i>X-ray with non-intrusive physical inspections</i>
Asia	5	3	10	20	12
Africa	2	0	4	12	2
Americas	5	3	7	10	11
Arab	3	3	4	9	2
Europe	11	2	4	16	18
Caribbean	2	0	1	7	2

11 Database of blacklisted consignees

Only 21% maintain a database of blacklisted consignees. In some countries, Customs maintain such a database, which is not the responsibility of Posts.

<i>Region</i>	<i>Number of RDOs with a database</i>	<i>Total RDOs</i>	<i>%</i>
Asia	5	24	17
Africa	1	15	6
Americas	11	17	64
Arab	3	8	60
Europe	2	30	6
Caribbean	2	12	16
Global	24	112	21

12 Sanctions for trading in illicit goods

About 62% impose sanctions for offenders trading in illicit goods. Overall, Africa is leading in imposing sanctions, while Europe is at the bottom. Most RDOs refer the cases to law enforcement authorities for adjudication. The types of sanctions appear to be similar across regions. They include seizing and destroying items and prosecuting offenders, resulting in civil and criminal action and imprisonment for serious offences.

<i>Region</i>	<i>Number of RDOs imposing sanctions</i>	<i>Total RDOs</i>	<i>%</i>
Asia	14	27	51
Africa	12	13	92
Americas	13	16	81
Arab	7	9	77
Europe	13	28	46
Caribbean	6	11	54

13 *Reporting incidences to law enforcement authorities*

A significant majority of RDOs (95%) report incidences to relevant law enforcement agencies. These could include Customs or the police, as well as the government agency with jurisdiction for the said category of illicit goods. For example, this could include narcotics, wildlife, environment, agriculture, arms and explosives divisions. There is no standardized manner across these divisions for transmitting such information to law enforcement authorities. Several RDOs report using e-mail, phones, or WhatsApp. Only a few reported using prescribed forms to report such matters. Only 52% of the RDOs are informed of the final action taken on the reported mail items. Once again, there is no standardized format for communicating this information back to Posts.

14 *Treatment of illicit goods*

A majority of RDOs (82%) hand over illicit goods to law enforcement authorities, while 62% seize and store them in the warehouse for further action. A large majority report the violation to relevant government agencies. A small portion of RDOs (30%) destroy the goods. Only 16% report counterfeits to brand owners.

E. *Current efforts and solutions*

15 *Engagement with e-commerce intermediaries*

Only around half of the RDOs engage with e-commerce intermediaries. Among those that do, a little over half exchange information and relay it to national Customs. Some countries exchange intelligence and day-to-day operational data (tracking numbers, product description and volumes, etc.) with e-commerce platforms and maintain an open line of communication with several of the larger platforms. Only two RDOs reported exchanging information on illicit trade.

16 *Engagement with private sector*

Only around half of the RDOs engage with companies and approximately a quarter with industry associations. Of these, only a third exchange information on illicit trade. Specifically in Asia, two DOs refer to engaging with TRAFFIC to combat wildlife trafficking via postal networks. Others note that they share information on illicit traders, types and quantities of goods.

17 *Steps taken to prevent infiltration*

Ranked from highest to lowest on steps taken by RDOs. The results from across the regions are similar in the steps taken by RDOs to prevent infiltration of their supply chain.

- Collaboration with Customs
- Internal due diligence process
- Manual inspections
- Customer education
- Enhanced KYC
- Technology-backed risk management system

18 *Training for staff*

Most RDOs from all regions provide training to their staff. Operations personnel are mostly targeted for this training, followed by entry clerks. Most DOs do not prioritize training for delivery staff. Some 37% conduct courses with tests, while the majority provide stand-up talks. The frequency of training is not uniform across DOs. While less than half conduct it annually, others conduct it as and when required.

<i>Regions</i>	<i>% of RDOs providing training</i>	<i>Staff receiving training from highest to lowest</i>
Asia	65%	<ul style="list-style-type: none"> – Operations – Entry clerks – Delivery – Security team – Retail and counter staff
Africa	50%	<ul style="list-style-type: none"> – Operations – Entry clerks – Delivery
Americas	88%	<ul style="list-style-type: none"> – Operations – Entry clerks – Security team – Delivery
Arab	77%	<ul style="list-style-type: none"> – Operations – Entry clerks and delivery – Management team
Europe	78%	<ul style="list-style-type: none"> – Operations – Entry clerks – Delivery
Caribbean	50%	<ul style="list-style-type: none"> – Operations – Entry clerks – Delivery

19 Solutions to mitigate illicit trade

RDOs provided their perspectives on the most effective ways of reducing illicit trade and how this can be achieved in their operations. A majority suggest the provision of proper EAD and verification of data at collection points, as well as strengthening postal operators' capacities. The most common responses across regions include:

- Progress in EAD for all Posts;
- Regular awareness and sensitization campaigns for both Posts and their customers;
- Increased collaboration between Posts and other relevant state agencies, specifically Customs;
- Automation of processes, better detection systems and usage of technology;
- Better exchange of information among Posts and between Posts and Customs;
- Tougher sanctions for illicit traders;
- Strengthening of due diligence, internal controls, supervision and mechanisms for proper verification of contents by origin Posts;
- Creation of a database of backlisted traders.

20 Recommendations from DOs on how the UPU could assist them in the future:

- Advance global sharing/ collection of EAD and training of personnel to collect EAD.
- Continuous capacity building, including training workshops and technical assistance for detection:
 - Supporting the provision and implementation of new technologies;

- Providing training materials and tools needed to detect illicit goods;
 - Establishing alliances with agencies such as the International Air Transport Association (IATA), International Civil Aviation Organization (ICAO), United Nations Regional Centre for Peace, Disarmament and Development in Latin America and the Caribbean (UNLIREC), and the United Nations Office on Drugs and Crime (UNODC) for the training of postal personnel for investigation and detection of illicit activities;
 - Sharing information and best practices on available technology and detection tools and cooperating with Posts with good infrastructure;
 - Sharing information on concealment modalities and relevant red flags for risk assessment;
 - Raising awareness on the importance of proper verification of shipments.
- Resource mobilization for tech-infrastructure.
 - Raise awareness of illicit trade by:
 - Assisting in raising customer awareness and blacklisting customers;
 - Assisting in developing materials for Posts and customers.
 - Create an online database of prohibited goods with the obligation for all postal service providers to keep it up to date. Make the database technically accessible for connection to postal operators' systems.
 - Mandate communication of country of origin in data collection processes.
 - Create a network for national Posts to facilitate exchange of information on illicit trade.
 - Require countries to have postal and property security inspectors.
 - Increase postal security standards set by the UPU.
 - Display contact information for postal offices.
 - Create a database of private sector contacts for counterfeits.

III. Conclusion

This data significantly exposed the scale of the problem of illicit trade faced by postal carriers. DOs worldwide confirmed that they see illicit goods being delivered via their networks and view this as a challenge to combat.

Point 20 above confirms that DOs see the UPU playing an important role in facilitating sharing of information among DOs and Customs, the standardization of processes, supporting regulatory improvements, improving customer education, assisting in capacity building, sharing of best practices and successful technological models and detection tools, and the setting of standards.

The UPU has multiple cooperation agreements in place, including with the World Customs Organization (WCO), International Narcotics Control Board (INCB), UNODC, IATA, ICAO and INTERPOL, which can be leveraged to offer such assistance to Posts.

The UPU also has several technical tools readily available for use by DOs, which can assist in significantly reducing instances of illicit trade. For example, a database of prohibited items for use by DOs. In addition, for the past year, the UPU has had multiple intensive capacity building programmes in place (involving 147 countries) to develop knowledge and understanding and provide technical tools. The UPU has also put in place numerous programmes that are exploring mechanisms to properly verify information at origin and progress with EAD collection. The UPU is also committed to aiding least developed countries (LDCs) to improve capacities and knowledge and to support the mobilization of additional resources to invest in postal infrastructure.

While these are positive initiatives, the survey findings demonstrate that the PSG is well positioned to offer further assistance to DOs and facilitate cooperation among the key stakeholders. These findings merit the attention of the PSG and the formulation of a specific group to address them and undertake further investigation. In line with Abidjan Postal Strategy work proposal (WP) 2.1.14, deliverable 13 (D13), it is suggested that the development of an intellectual property rights campaign be undertaken and executed by an Illicit Trade Expert Team created under the aegis of the PSG.

UPU–TRACIT survey on illicit trade via national Posts: Master analysis

Overview

The survey was answered by 116 designated operators (DOs) split across six regions:

<i>Region</i>	<i>Total number of RDOs</i>
Asia	29
Africa	18
Americas	17
Arab	9
Europe	31
Caribbean	12
Total	116

Note. – Each question had a different number of respondents. “Respondent designated operators (RDOs)” represents the number of respondents per question, wherever this is possible to indicate.

I. Illicit trade in postal networks

1 Scale and impacted sectors

Illicit trade is overwhelmingly encountered by almost 90% of the RDOs. While illicit trade is a problem in most countries, 54% of the RDOs have not seen an increase in the last five years. Notably, a majority of the participants in the Americas, Europe and Arab regions have seen an increase.

<i>Region</i>	<i>% of RDOs observing illicit trade</i>
Asia	100%
Africa	83%
Americas	100%
Arab	78%
Europe	80%
Caribbean	100%
Total	90%

All regions are experiencing illicit trade in multiple sectors. The RDOs were provided with 20 categories of goods to report where they observe illicit trade. All except for the Arab and Americas regions listed narcotics as the main sector in which illicit trade occurs. Illicit tobacco and pharmaceuticals are most observed across all regions, followed by electronic goods.

- *Asia:* Tobacco; electronics; and pharmaceuticals, medical devices and alcohol.
- *Africa:* Tobacco; perfumes and cosmetics; and pharmaceuticals and medical devices.
- *Americas:* Wildlife; electronics; and perfumes and cosmetics.

- *Arab*: Tobacco; precious gems; and consumer goods.
- *Europe*: Pharmaceuticals and medical devices; tobacco; and toys and games.
- *Caribbean*: Pharmaceuticals and medical devices; and pesticides and agri-food.

2 *Vulnerabilities in the postal supply chain*

DOs consider that the lack of knowledge of the applicable prohibitions among postal customers, together with inaccurate/incomplete data, are the chief reasons for the entry of illicit goods. This is followed by insufficient due diligence at the origin Post collection point. It also interesting to note that RDOs also cited insufficient involvement of law enforcement authorities in intercepting illicit goods at origin as one of the key reasons why illicit trade flourishes in postal networks.

- *Asia*: A significant majority of the RDOs noted the lack of knowledge of postal customers on applicable prohibitions and restrictions at destination as the main reason for illicit goods entering supply chains. This is followed by insufficient due diligence at the origin Post collection point, and the provision of inaccurate and incomplete data on the mail item contents declaration provided by the customer.
- *Africa*: A majority of RDOs noted inaccurate data on the mail item contents declaration provided by customers as the main reason why illicit trade enters the supply chain. Other top reasons include a lack of awareness among consumers on illicit goods; insufficient due diligence; incomplete data; and lack of effective risk management systems.
- *Americas*: A majority of RDOs noted as key reasons the lack of awareness among consumers on illicit goods, and the provision of inaccurate and incomplete data on the mail item contents declaration.
- *Arab*: Most RDOs listed as main reasons invalid or missing import licences/certificates required for certain types of goods and the lack of knowledge of postal customers. This is followed by insufficient due diligence at collection points and the provision of inaccurate data.
- *Europe*: A majority of RDOs noted the lack of awareness among consumers on illicit goods and inaccurate data on the mail item contents declaration as key reasons.
- *Caribbean*: A majority of RDOs noted as key reasons the provision of inaccurate data on the mail item contents declaration provided by customers. Other top reasons included the lack of awareness of postal customers on illicit goods and the provision of incomplete data on mail items.

II. **Digitization**

3 *Digitization of supply chains*

In all regions except Europe, a majority of the RDOs do not have fully digitized supply chains. Around 65% of the total RDOs reported that their supply chains are not fully digitalized. This is particularly notable in the Arab (88%) and Caribbean (83%) regions.

RDOs noted various reasons for the lack of digitization. Some common responses include that the digitization process is ongoing and pending completion, insufficient IT infrastructure, and lack of resources or capacity.

- *Asia*: Several RDOs reported that the process of full digitization is ongoing, while others noted that the lack of IT investment and proper resources were impeding digitization. A few others noted that the inspection of packages is conducted by law enforcement authorities, so they have not digitized their supply chain. One noted the absence of a programme to digitize.
- *Africa*: The responses from RDOs from this region were more varied. The highest response on the lack of digitization was owing to insufficient IT tools and infrastructure. Only one DO mentioned a lack of funding for IT projects. Some noted that although they had implemented the UPU track and trace system, they had not digitized this process fully. Another noted that the exchange of electronic data was not yet interfaced between RDOs, transport companies and Customs.
- *Americas*: Some RDOs noted that their supply chain was only partially digitized owing to the lack of proper resources. Others mentioned the lack of funding for IT infrastructure. It may be interesting to note

that one RDO responded that there was no digitization as the intake ports were manually operated owing to their geopolitical landscape.

- *Arab*: A couple of RDOs reported that digitization was in progress, while a few others noted that the lack of IT tools and resources was impeding full digitization.
- *Europe*: Many RDOs noted insufficient funding as the key reason for the lack of digitization. Some mentioned the high cost of implementation and the lack of proper IT tools as impeding factors. Notably, one DO stated that it had partial digitization but that integration with Customs was still pending. Lastly, one DO noted that non-European supply chains did not have the capacity to comply with EU regulatory requirements.
- *Caribbean*: A majority of RDOs reported a lack of proper IT infrastructure and funding to digitize supply chains. Some partners, including national airlines and some regional postal administrations, do not have the ability to exchange and/or use digital postal data.

4 *IT systems in place for effective risk management*

Around 60% do not have the proper IT systems in place for effective risk management.

<i>Region</i>	<i>% of RDOs with IT systems</i>	<i>Total RDOs</i>
Asia	36%	25
Africa	27%	18
Americas	53%	15
Arab	55%	9
Europe	46%	30
Caribbean	8%	12

Globally, there is no indication of a harmonized system that RDOs use for their operations. While several noted X-ray and screening mechanisms, some cited using the UPU CDS and IPS. Other systems mentioned were CUSITM, CUSRSP, UNCTAD's ASYCUDA, and ERIAN (customs risk system, track and trace).

III. **Electronic advance data (EAD)**

5 *Transmission of EAD beyond ITeM ATtribute (ITMATT)*

More than 60% of the RDOs feel that the ITMATT data is insufficient for their internal risk management systems to identify illicit goods. Only around 35% of RDOs send data in addition to ITMATT. Although this additional data differs, several reported sharing country of origin details, trusted consignor ID, and parcel invoices.

- *Asia*: 29% of the RDOs send EAD beyond ITMATT, including country of origin details, trusted consigner ID and the invoice of the product in the parcel.
- *Africa*: 28% of the RDOs send EAD beyond ITMATT, including country of origin details and the invoice of the product in the parcel.
- *Americas*: 25% of the RDOs send EAD beyond ITMATT, including country of origin details, trusted consigner ID and the invoice of the product in the parcel.
- *Arab*: 56% of the RDOs send EAD beyond ITMATT, including known/trusted consignor ID, the invoice of the product in the parcel, and country of origin details.
- *Europe*: 49% of the RDOs send EAD beyond ITMATT, including known/trusted consignor ID, the invoice of the product in the parcel, and country of origin details. One RDO noted that EMSEVT and other information also includes the Harmonized System (HS) number and contact details.
- *Caribbean*: RDOs note that EAD is currently transmitted only to the United States of America. Only 25% transmit EAD beyond ITMATT, including country of origin details predominantly.

6 Data quality and non-compliance

There is no uniform manner of treating parcels with poor or incomplete ITMATT EAD. Several RDOs store the product until regularization, while others delay the delivery of parcels. Only two RDOs impose a penalty. Even within regions, there is no uniform way in which RDOs deal with non-compliant EAD.

- *Asia*: Several RDOs indicate that they forward items while simultaneously capturing EAD, while others hold non-compliant items in storage until EAD is complete. Some return the items.
- *Africa*: No special treatment of parcels in case of irregular EAD. RDOs indicate that they try to regularize the data or forward it to Customs for additional information. Delays occur as a *de facto* penalty for non-compliance.
- *Americas*: Several RDOs indicate that items lacking data are manually processed or stored until regularization. Delays occur as a *de facto* penalty for non-compliance. One indicated the return of parcels; another that it imposed penalties.
- *Arab*: Items are generally transferred to Customs for inspection and communication is established with the origin Post for full details to be provided.
- *Europe*: Several RDOs indicated that they hold non-compliant items in storage until complete information is provided, and that delays occur as a *de facto* penalty for non-compliance. Some return non-compliant items.
- *Caribbean*: Processes in the Caribbean vary from DO to DO. Some responses included continuing to process with manual inspection, allowing items to be processed with Customs assistance, and manually correcting data. Some do not take any specific action and the item is processed.

7 CN 22/CN 23 data

i Internal risk management systems

A majority in all regions except Africa and Europe responded that CN 22/CN 23 data was not sufficient for their internal risk management systems to identify illicit goods.

ii Customs authorities' risk management systems

A majority in all regions except Africa responded that in their experience the CN 22/CN 23 data was not sufficient for their national customs authority's risk management system to identify illicit goods.

8 Penalty by Customs for non-compliant EAD

Most RDOs in all regions stated in consensus that the national customs authority did not impose a penalty on its DO for relaying non-compliant EAD.

IV. Inspections and interventions

9 Physical and digital inspection of mail items

Around 40% of RDOs perform only physical inspection of mail items, while 45% conduct both physical and digital inspections. 11% of RDOs noted that they are not responsible for inspections as it is the responsibility of law enforcement authorities – either Customs (majority response), the police, or a relevant government agency such as narcotics, agriculture, or environment board. 85% of DOs inspect both inbound and outbound parcels.

<i>Region</i>	<i>Physical</i>	<i>Digital</i>	<i>Both</i>	<i>Neither</i>	<i>Total RDOs</i>
Asia	12	1	14	2	29
Africa	9	0	7	2	18
Americas	6	0	6	3	15

<i>Region</i>	<i>Physical</i>	<i>Digital</i>	<i>Both</i>	<i>Neither</i>	<i>Total RDOs</i>
Arab	2	0	6	1	9
Europe	13	1	13	3	30
Caribbean	4	1	5	2	12
Global	46	3	52	13	114

10 *Mechanisms for inspection*

A majority of RDOs inspect parcels through X-ray systems with intrusive physical inspections. This is followed by X-rays with non-intrusive inspections and feedback into risk management systems (RMS) based on intelligence from law enforcement authorities. Other practices include manual inspection and canine detection. There is little or no engagement with the private sector to gather input that can be used in RMS.

<i>Region</i>	<i>Risk assessment with technology solutions</i>	<i>Active feedback from private sector into RMS</i>	<i>Active feedback from law enforcement into RMS</i>	<i>X-ray with intrusive physical inspections</i>	<i>X-ray with non-intrusive physical inspections</i>
Asia	5	3	10	20	12
Africa	2	0	4	12	2
Americas	5	3	7	10	11
Arab	3	3	4	9	2
Europe	11	2	4	16	18
Caribbean	2	0	1	7	2

- *Asia*: A significant majority indicated that they inspect parcels using X-ray systems with intrusive physical inspections and non-intrusive inspections. Manual checking appears to be common in this region. Around 50% feed input from law enforcement authorities back into RMS. Very few use technology solutions for risk assessment.
- *Africa*: A majority of RDOs use X-ray systems with intrusive physical inspections. There is very little engagement with law enforcement authorities and the private sector to collect data for risk management. Only a couple of RDOs use technology solutions for risk assessment.
- *Americas*: A significant majority indicated that they inspect parcels using X-ray systems with intrusive physical inspections and non-intrusive inspections. RDOs also engage with law enforcement authorities for feedback; however, there is very little engagement with the private sector. A handful use risk assessment systems backed by technology.
- *Arab*: A majority use X-ray systems with intrusive physical inspections. A handful work with the private sector and law enforcement authorities for risk management data.
- *Europe*: A significant majority indicated that they inspect parcels using X-ray systems with intrusive physical inspections and non-intrusive inspections. Among the regions, Europe leads in terms of using risk assessment systems backed by technology solutions. However, there is little or no engagement with law enforcement authorities and the private sector.
- *Caribbean*: A majority of RDOs use X-rays with intrusive physical inspections. There is no engagement with the private sector or law enforcement authorities to report.

11 *Database of blacklisted consignees*

Only 21% of RDOs maintain a database of blacklisted consignees. Customs maintain such a database in some countries, but it is not the responsibility of Posts.

<i>Region</i>	<i>% of RDOs with a database</i>	<i>Total RDOs</i>
Asia	17%	24
Africa	6%	15
Americas	64%	17
Arab	60%	8
Europe	6%	30
Caribbean	16%	12

12 *Sanctions for trading in illicit goods*

Around 62% of RDOs impose sanctions for offenders who trade in illicit goods. Overall, Africa is leading, while Europe is at the bottom. Most RDOs refer the cases to law enforcement authorities for adjudication. The types of sanctions appear to be similar across regions. These include seizing and destroying items and prosecuting offenders, resulting in civil and criminal action and imprisonment for serious offences.

<i>Region</i>	<i>% of RDOs that impose sanctions</i>	<i>Total RDOs</i>
Asia	51%	27
Africa	92%	13
Americas	81%	16
Arab	77%	9
Europe	46%	28
Caribbean	54%	11

13 *Types of sanctions*

- *Asia*: Most RDOs reported that processes continue in accordance with local customs legislations. Sanctions can include seizing items and prosecuting offenders, resulting in civil and criminal action and imprisonment for serious offences. In some countries, Customs blacklist offenders and do not accept further parcels from the consignors.
- *Africa*: Sanctions are applied in accordance with local legislation based on the type of illicit good. A majority responded that Customs or the police are empowered to impose sanctions. These could include termination of postal services for the offender, seizure and destruction of consignments, legal proceedings, fines and imprisonment.
- *Americas*: Sanctions are decided on a case-by-case basis depending on the violation and items being trafficked. This is also dependent on whether the items are inbound or outbound. Posts do not have the authority to impose sanctions. Law enforcement leads to prosecution and the imposition of sanctions.
- *Arab*: Customs have the right to determine sanctions for offenders. As a result, Posts refer cases to Customs and thereafter to relevant enforcement agencies.
- *Europe*: Sanctions are decided on case-by-case basis depending on the violation and items being trafficked. Cases are referred to Customs for adjudication. Sanctions are imposed based on local legislation, which can range from confiscation/destruction of goods to fines and imprisonment.
- *Caribbean*: Customs have the right to determine sanctions for offenders. For serious offences, traffickers are arrested and prosecuted in a court of law.

14 *Reporting incidences to law enforcement authorities*

A significant majority of RDOs (95%) report incidences to relevant law enforcement agencies. These could include Customs or the police, as well as the bureau that has jurisdiction for the particular category of illicit goods (narcotics, wildlife, environment, agriculture, arms and explosives divisions, etc.).

There is no standardized manner of transmitting such information to law enforcement authorities. Several RDOs reported using e-mail, phones, WhatsApp, etc. Only a few reported using prescribed forms to report such matters.

Only 52% of the RDOs are informed of the final action taken in respect of the reported mail items. Once again, there is no standardized format for communicating this information back to Posts.

15 *Treatment of illicit goods*

A majority of RDOs (82%) hand over illicit goods to law enforcement authorities, while 62% seize and store them in the warehouse for further action. A large majority report the violation to relevant government agencies. A small portion of RDOs (30%) destroy the goods. Only 16% report counterfeits to brand owners.

V. **Current efforts and solutions**

16 *Engagement with e-commerce intermediaries*

Less than half of the RDOs engage with e-commerce intermediaries. Among those that do, a little over 50% exchange information and relay it to national Customs. Some countries exchange intelligence and day-to-day operational data, such as tracking numbers, product descriptions and volumes with e-commerce platforms and maintain an open line of communication with several of the larger e-commerce platforms. Only two RDOs reported exchanging information on illicit trade.

<i>Region</i>	<i>% of RDOs that engage (out of total number of RDOs)</i>	<i>% of RDOs that exchange information (out of total number of RDOs)</i>	<i>% of RDOs that relay such information to Customs (out of total number of RDOs)</i>
Asia	51% (27)	68% (19)	72% (18)
Africa	35% (17)	62% (8)	83% (6)
Americas	43% (16)	58% (12)	63% (11)
Arab	50% (8)	90% (5)	40% (5)
Europe	46% (30)	63% (19)	47% (19)
Caribbean	50% (12)	57% (7)	66% (6)
Total	46% (110)	64% (70)	61% (65)

17 *Engagement with private sector*

Only about half of the RDOs engage with companies, and around a quarter with industry associations. Out of these, only a third exchange information on illicit trade. Specifically in Asia, two RDOs refer to engaging with TRAFFIC to combat wildlife trafficking in postal networks. Others note that they share information on illicit traders, types and quantities of goods.

<i>Region</i>	<i>Number of RDOs that engage with companies</i>	<i>Number of RDOs that engage with industry associations</i>	<i>% of RDOs that exchange information on illicit trade (out of total number of RDOs)</i>
Asia	14	7	14% (21)
Africa	7	7	27% (11)
Americas	4	2	27% (11)
Arab	5	2	16% (6)
Europe	19	7	14% (21)
Caribbean	9	4	0% (11)
Total	58	29	16% (81)

VI. Current efforts to tackle illicit trade

18 Steps taken to prevent infiltration

Ranked from highest to lowest on steps taken by RDOs. The results from across the regions are similar in the steps taken by RDOs to prevent infiltration of their supply chain.

- Collaboration with Customs
- Internal due diligence process
- Manual inspections
- Customer education
- Enhanced KYC
- Technology-backed risk management system

19 Training for staff

Most RDOs (from all regions) provide training to their staff. Operations personnel are mostly targeted for this training, followed by entry clerks. Most RDOs do not prioritize training for delivery staff. About 37% of them conduct courses with tests, while a majority provide stand-up talks. The frequency of training is not uniform across the RDOs. While less than half conduct it annually, others conduct it as and when required.

<i>Regions</i>	<i>% of RDOs providing training</i>	<i>Staff receiving training from highest to lowest</i>
Asia	65%	<ul style="list-style-type: none"> – Operations – Entry clerks – Delivery – Security team – Retail and counter staff
Africa	50%	<ul style="list-style-type: none"> – Operations – Entry clerks – Delivery
Americas	88%	<ul style="list-style-type: none"> – Operations – Entry clerks – Security team – Delivery
Arab	77%	<ul style="list-style-type: none"> – Operations – Entry clerks and delivery – Management team
Europe	78%	<ul style="list-style-type: none"> – Operations – Entry clerks – Delivery
Caribbean	50%	<ul style="list-style-type: none"> – Operations – Entry clerks – Delivery

20 Solutions and recommendations from RDOs to tackle illicit trade

i Solutions to mitigate illicit trade

DOs provided their perspectives on the most effective ways of reducing illicit trade and how this could be achieved in their operations. A majority suggested proper provision of EAD and verification of data at collection points and strengthening postal operators' capacities. The most common responses across regions include:

- Progress in EAD for all Posts.
- Regular awareness and sensitization campaigns for both Posts and their customers.
- Increased collaborations between Posts and other relevant state agencies, specifically Customs.
- Automation of processes, better detection systems and usage of technology.
- Better exchange of information among Posts and between Posts and Customs.
- Tougher sanctions for illicit traders.
- Strengthening of due diligence, internal controls, supervision and mechanisms for proper verification of contents by origin Posts.
- Creation of a database of backlisted traders.

Asia

- Proper collection and relaying of EAD by all Posts.
- Proper verification of data at collection points, including verified sender information and verification of contents through X-ray scanning.
- Penalties on origin Posts for lack of proper due diligence and acceptance of illicit items.
- Better technology, resources and equipment for detection and increased manpower.
- Capacity building and awareness for operational staff, entry clerks, security and mail teams to understand regulations on illicit goods.
- Exchange of information among regional Posts where there is frequent transmission of illicit goods.
- Enhanced coordination between Posts.
- Closer collaboration with Customs and setting up of a customs unit within postal offices.
- Inter-agency cooperation and coordination, especially among those responsible for controlling illicit trade.
- Simplification of instructions on good governance and guidance for postal operators focusing on illicit goods, relevant regulations, data collection and sanctions for violations.
- Awareness raising among customers on relevant prohibitions and restrictions in destination countries, including on consequences and sanctions.
- Database of backlisted traders.

Africa

- Proper collection and relaying of EAD by all Posts.
- Proper verification of data at collection points, including verified sender information and contents through x-ray scanning.
- Assistance for LDCs to improve their illicit goods detection systems.
- Effective detection equipment and risk management backed by technology; X-ray machines and training of personnel to operate such machines.
- K9 units at entry and exit points for all international mails in liaison with national police for weekly snap checks.
- Capacity building and awareness raising for operational staff.

- Enhanced coordination and exchange of information between Posts.
- Cooperation with Customs and setting up of customs kiosks in postal agencies; and use of UPU CDS.
- Inter-agency cooperation and coordination, especially among those responsible for controlling illicit trade.
- Awareness raising among customers on relevant prohibitions and restrictions in destination countries, including on consequences and sanctions.

America

- Proper verification of data at collection points, including verified sender information.
- Raising awareness among the public on the impact of illicit trade and the shipment of illicit materials; and creation of a mechanism for the public to report on the shipment of illicit goods.
- Capacity building and awareness raising for operational staff, entry clerks, security and mail teams to understand regulations on illicit goods.
- Effective detection equipment and risk management backed by technology; X-ray machines and training of personnel to operate such machines.
- Enhanced cooperation with Customs and training for Customs on the detection of illicit parcels.
- Enhanced cooperation on illicit trade among postal operators.
- Enhanced inter-agency cooperation and coordination, especially among those responsible for controlling illicit trade.
- Suspension of postal services for repeat offenders and increased sanctions on those trading in illicit goods.
- Shared database on illicit traders, including offending shipper profiles.

Arab

- Proper collection and verification of data at collection points, including verified sender information and contents through x-ray scanning.
- Effective detection equipment and risk management backed by technology.
- Capacity building and awareness raising for operational staff, entry clerks, security and mail teams.
- Cooperation within the postal network, including on the exchange of information and capacity building activities.
- Collaboration with Customs and strengthening of resources for Customs to properly detect illicit goods.
- Inter-agency cooperation and coordination, especially among those responsible for controlling illicit trade.
- Automated CDS and inclusion of pre-alerts on Posts' systems. Implementation of CDS with all postal operators.
- A standard application that Posts can use globally to coordinate in real-time and report illicit activities.
- Sanctions for offenders trading in illicit goods.

Europe

- Effective detection equipment and risk management backed by technology and manpower.
- Strengthening of EAD transmission and collection.
- Awareness raising among customers on relevant prohibitions and restrictions in destination countries, including on consequences and sanctions.
- Implementation of the Import Control System 2 and CDS systems within Posts.
- Sanctions for offenders trading in illicit goods.

- Determination of the liability of DOs dispatching prohibited items.
- Collaboration with Posts, the WCO and INTERPOL.
- Compliance with the requirements of articles 20.001 and 17-210 of the UPU Convention Regulations.
- A standard application that Posts can use globally to coordinate in real-time and report illicit activities.
- A database of backlisted traders.
- Timely updating of the list of prohibited items for entry into the country and publication online.

Caribbean

- Proper collection and verification of data at collection points, including verified sender information and use of ITMATT.
- Proper detection equipment, including X-ray machines.
- Conducting of manual inspections at origin Posts to verify parcel contents.
- Increased accountability of postal operators at collection points.
- Enhanced due diligence process, including KYC and training of staff in implementing such processes.
- Capacity building for postal operators on illicit goods, including on IP infringement and counterfeits.
- Awareness raising among customers on relevant prohibitions and restrictions in destination countries, including on consequences and sanctions.
- Creation of a shared database on illicit traders, including high risk offenders and shipper profiles.

ii Recommendations on how the UPU can assist RDOs

In response to ways in which the UPU can assist RDOs in their efforts, the most common responses received from RDOs are set out below.

Asia

- Develop and share best practices.
- Impose mandatory exchange of EAD and ITMATT.
- Increase capacity building for postal operations.
- Develop awareness campaigns for DOs on collection and relaying of EAD; and provide training on detection systems and technology that can be used to stop illicit parcels.
- Develop a database of products that are considered illicit in destination countries.
- Develop a mechanism allowing Posts to share information between themselves and with Customs on illicit products.
- Identify countries where there is frequent transmission of illicit goods.

Africa

- Assist with the provision of better detection tools and technology and technical assistance to use such tools.
- Develop awareness campaigns for DOs on the collection and relaying of EAD; and provide training workshops that will assist in stopping illicit goods.
- Develop consumer awareness campaigns on illicit goods.
- Develop a database of backlisted consumers.

Americas

- Foster even greater levels of collaboration between DOs – this could come in the form of an additional expert group on illicit trade.
- Awareness and capacity building
 - Provide training to strengthen the capacities of admission personnel, operational personnel, and postal inspectors to identify illicit merchandise, concealment modalities, and relevant information on registered cases.
 - Raise awareness among DOs on illicit trade and the importance of proper verification of shipments.
 - Provide technical assistance on the usage of new technologies, effective equipment and detection tools.
 - Establish alliances with other agencies (IATA, ICAO, UNLIREC, UNODC) for the training of postal personnel for investigation and detection of illicit goods.
- Add to the UPU IPS illicit goods according to the country of destination to avoid their exportation.

Arab

- Mandate the collection and relaying of EAD.
- Publish a list of prohibited goods in each country.
- Increase capacity building workshops for DOs and Customs.
- Develop coordinated international strategies to curb illicit trade, including sharing of best practices, new technologies, detection equipment, due diligence processes and security systems.
- Facilitate information exchange with DOs and promote the interoperability of exchanges.
- Mandate CDS implementation among all UPU members.

Europe

- Mandate the proper collection of verified EAD and impose sanctions on DOs failing to do so.
- Publish a list of prohibited goods in each country and raise awareness on illicit trade among DOs.
- Develop coordinated strategies to curb illicit trade, including sharing of best practices, new technologies, detection equipment, due diligence processes and security systems.
- Introduce a penalty system for DOs that send illicit goods at origin.
- Engage closely with the WCO and INTERPOL.

Caribbean

- Develop consumer awareness campaigns on illicit goods.
- Create a database of private sector contacts for IPR infringing goods.
- Provide capacity building and technical assistance for DOs to better tackle illicit trade and financial assistance for such training.
- Assist with the provision of better detection tools and technology and technical assistance to use such tools.
- Engage more closely with the WCO to facilitate information sharing among Customs and DOs.