



**EXPOSING SUPPLY CHAIN  
VULNERABILITIES TO ILLICIT TRADE**  
A GLOBAL REPORT ON DYNAMICS, HOTSPOTS  
AND RESPONSES ACROSS 10 SECTORS



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- Perfume bottle icon
- Wine bottle icon
- Coffee cup icon
- Smartphone and bottle icon
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## ABOUT TRACIT

The Transnational Alliance to Combat Illicit Trade (TRACIT) is an independent, private sector initiative to drive change to mitigate the economic and social damages of illicit trade by strengthening government enforcement mechanisms and mobilizing businesses across industry sectors most impacted by illicit trade.

For more information, visit [www.TRACIT.org](http://www.TRACIT.org)

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# EXECUTIVE SUMMARY

Illicit trade poses unprecedented global challenges as it creates a series of intertwined threats to economies, security, public health and the environment across the world. In recognition of the growing concern surrounding illicit trade, this study embarks on a journey through a number of sectors that have been found to be especially susceptible to these illicit practices. These sectors are: agrifood, alcohol, fast-moving consumer goods/ cosmetics/ luxury/ electronics, fisheries, forestry, luxury goods, pharmaceuticals, pesticides, petroleum, tobacco and wildlife.

## *Understanding the imperative to combat illicit trade*

Illicit trade has emerged as a major policy and regulatory challenge worldwide. It encompasses a wide spectrum of illegal activities, conducted both offline and online, including narcotics and arms trafficking, environmental and wildlife crime, intellectual property theft, and robbery and resale of antiquities and cultural artifacts. Illicit traders also exploit a wide range of industries, most notably including pharmaceuticals, consumer goods, tobacco, alcohol, entertainment content, oil products, fish, timber, food, precious metals and gemstones, pesticides, and thousands of products vulnerable to trademark counterfeiting and copyright piracy.

Collectively across these sectors, illicit trade creates a vast underground economy estimated to account for 5 to 15 of global GDP, according to WEF. Such a significant diversion of commercial activity presents considerable negative consequences to the global economy. The United Nations Conference on Trade and Development (UNCTAD) notably recognizes that illicit trade crowds out legitimate economic activity and deprives governments of revenues for investment in vital public services.

Illicit trade also presents a direct threat to security and stability. The links between illicit trade and organized crime are well-established. The involvement of members of criminal syndicates has been observed in virtually all global trading sectors, provoking violence, undermining the rule of law, breeding corruption and financing terrorism. These findings are echoed by the US Department of Homeland Security (DHS), which found that illicit goods trafficked to American consumers threaten U.S. national security.

## Common grounds for investigation

In the quest to mitigate illicit trade, this report investigates two observable patterns of commonality.

- Illicit trade in all its forms thrives on systemic weaknesses in complex supply chains. Consequently, **Part 1, Chapter I** investigates the complexities of supply chains and transportation modalities. It also provides a cross-cutting analysis of three critical vulnerabilities (i.e., hotspots) that traffickers exploit to advance illicit trade: (i) online platforms, (ii) Free Trade Zones and (iii) postal systems/express couriers.
- The poly-criminal nature of illicit trade manifests itself in traffickers' tendency to practice more than one illegal activity. Counterfeiting, smuggling, money laundering and forced labor are often undertaken in tandem. EUROPOL reports that organized criminal groups involved in trafficking operations are the most poly-criminal groups in the EU, as they typically traffic more than one illicit commodity such as counterfeit goods or different types of illicit drugs. Consequently, **Part 1, Chapter II** investigates the knock-on effects of illicit trade on (i) organized crime, (ii) corruption, (iii) money laundering and (iv) forced labor.

## Best practices in governance

Another objective of this report is to sensitize policymakers to the need to engage in a more constructive dialogue with the private sector in the formulation of anti-illicit trade strategies and the design of joint operational tools. Consequently, **Part 1, Chapter III** starts with understanding the scope of existing international regulatory frameworks and law enforcement initiatives addressing illicit trade. It also reveals that the recommendations issued by various Intergovernmental Organizations (IGO) feature a number of common measures that merit consideration by national-level policymakers. These recommendations notably:

- Highlight the close links between illicit trade and organized crime and the critical role that corruption plays as a key enabler.
- Call for the establishment of inter-ministerial task forces/ units coordinating the response to specific manifestations of illicit trade.
- Support industry engagement as a critical partner to assist in illicit trade mitigation efforts.

## Sharing and promoting smarter business practices

One of the distinctive aspects of this study is its approach in examining illicit trade through the lens of the private corporation. By delving into how industry stakeholders perceive and tackle the challenges posed by illicit trade, this report showcases practices in one sector that can have traction mitigating illicit trade in another. It thereby promotes the use of the most innovative solutions and new opportunities for collaboration.

Smarter business practices can choke off illicit trade where the supply chain is most vulnerable. For example, a sophisticated anti-counterfeiting technology developed in the pharmaceutical sector may hold potential benefits for identifying counterfeit products in the luxury goods industry. Similarly, sustained engagement of the global transport industry can make it more difficult for traffickers to ship illegal goods regardless of their nature.

Consequently, **Part 1, Chapter IV** delineates the strategies and mechanisms utilized by the companies interviewed for this report, including (i) due diligence, (ii) compliance with established standards, (iii) certification, (iv) online supply chain monitoring, (v) establishment of industry-wide information exchange platforms, (vi) cooperation with law enforcement, (vii) cooperation with transport and logistics intermediaries, (viii) GPS tracking and satellite monitoring, (ix) consumer awareness, (x) track and trace solutions, (xi) product authentication, (xii) leveraging artificial intelligence.

## **Sector specific reviews**

To understand supply chain vulnerabilities and remedies relating to illicit trade occurring in a specific sector, and to identify practices common to other sectors, focused sector reports are presented in **Part 2, Chapters I- X**. Each chapter addresses the occurrence of illicit trade with respect to the complexities of supply chains and transportation modalities. It also provides an analysis of three critical vulnerabilities (i.e., hotspots) that traffickers exploit to advance illicit trade: (i) online platforms, (ii) Free Trade Zones and (iii) postal systems/express couriers.

Given the importance of the UN Sustainable Development Goals, the chapters assess and explain the negative impacts of illicit trade on achieving the goals. They also provide a review of international policy, regulatory and law enforcement responses, including selected national government responses. The sections dealing with private-sector initiatives showcase a selection of public-private partnerships as well as the steps and measures taken by businesses, including technological solutions. Each chapter concludes with a set of recommendations.

## **Summary of key findings**

### **Supply chains and transport modalities**

The evolving nature of global supply chains presents significant challenges for detection and mitigation of illicit trade. The number of intermediaries and their role pose significant challenges to regulatory and control efforts, especially when a supply chain may involve up to twenty-five different entities, ranging from manufacturers to shippers and distributors. Control efforts are even more difficult when sectors combine inputs or ingredients from multiple suppliers, like electronics or food. From a trafficker's perspective, every additional layer of complexity or fragility in the supply chain creates a new opportunity to divert goods from legitimate distribution networks and/ or disguise the illicit nature or origin of an operation.

Illicit supply chains can take diverse routes, often stretching across several countries and continents. For example, illicit wildlife trade is typically transcontinental, with virtually every country in the world playing a role as a source, transit, or destination country. Counterfeit goods are primarily sourced in China and delivered to consumers worldwide.

Common to illicit trade across sectors is that traffickers employ various concealment techniques, exploit transshipment procedures and engage in origin laundering to obfuscate the true origin of goods. To avoid detection during transport, they make extensive use of false documentation, unofficial routes and border blind spots. They may also ship raw materials separately for assembly at destination points and mix illicit items with legal ones.

- The means of transportation are often chosen depending on the type of illicit products to be trafficked and the official controls to be avoided.
- To disguise the origin and provenance of illegal products, traffickers employ various sophisticated techniques, such as using deliberately complex and long transit routes, crossing borders of multiple countries, and relying on several modes of transportation.
- Origin laundering is also achieved by abusing transshipment procedures, namely the processes whereby cargoes or containers are moved from one means of transport to another during transit.
- False documentation is regularly used, genuine ones are altered, and untruthful declarations are made about the nature or amounts of transported items, shipper and consignee names, and ownership and business activities related to the shipment.
- Other tactics include shipping raw materials, ingredients and components separately for assembly and packaging at warehouses in transit countries or at destination points and camouflaging the illicit nature of certain products by mixing/commingling them with legal ones.
- The maritime transport presents specific challenges. Some concealment techniques involve sophisticated retrofits of vessels, creating complex vessel ownership structures and registering in countries with weak regulations (i.e., “flags of convenience.”)

The wide availability of manufacturing equipment on the Internet and the significant advances made by printing technology over the past two decades have significantly lowered the barriers to entry in counterfeit markets. As a result, no specialized skills are needed to create fake packaging that is virtually undistinguishable from the original one. Interviewed companies have reported a significant increase in the quality of counterfeits.

Excessive storage and destruction costs represent a particular concern for industry stakeholders affected by illicit trade practices, especially brand owners. In addition to placing an unfair burden on them, the prohibitive nature of storage costs has the effect of deterring them from contributing their knowledge and resources towards criminal investigations, inspections and related operations.



## Online platforms

Illicit trade on e-commerce platforms is a significant concern because traffickers can exploit online channels to gain easy access to markets. All the sectors under review are impacted, except oil, forestry and fisheries due to their nature or perishability.

Illicit trade dealings which were once characterized by direct exchanges between sellers and buyers have now shifted online, with payments made through mobile banking apps and goods delivered by courier/postal systems. Traffickers exploit and operate over a wide array of online channels such as business-to-business exchanges, auction sites, e-commerce sites, social media networks and message boards. The challenge is made more acute by the fact that even when an illegal item is removed from a site, it often appears elsewhere within a short time.

Traffickers notably benefit from the anonymity and minimum exposure that online activities provide, allowing them to avoid controls and to ship considerable amounts of products directly to consumers. The ability of sellers to hide their identity and misrepresent their products is a particularly attractive option, providing them with a relatively ungoverned point of entry into even the best regulated markets.

The sending of unsolicited bulk messages to a very large number of e-mail accounts (i.e., spamming) plays a crucial role in the advertising/distribution channels for illicit goods, especially in relation to counterfeit medicines.

Fraudulent advertising is rapidly emerging as a new trend, driving unsuspecting consumers to third party illegitimate e-commerce sites. Since 2017, many popular international brands have been targeted by fraudulent adverts on Instagram and Facebook, some of which receiving up to a quarter of a million views before they were detected.

In most of the sectors under review, traffickers exploit the features offered by online messaging apps (e.g., WhatsApp, Telegram) to create networks connecting buyers and sellers or directly contacting end customers for illegal sales – all usually done with minimal transparency as to the identity and location of those involved.

Traffickers also exploit the fact that online shoppers cannot physically inspect the products ahead of their purchasing decisions and that they are usually required to pay in advance of delivery. Consumers are further confused when counterfeiters post images of genuine products or offer products at extremely low prices. The fact that online platforms enable the sale of products with the involvement of fewer intermediaries and lower overhead costs was reported as a factor enabling traffickers to offer significantly lower prices.

When illicit online transactions are underpinned by use of anonymous payment systems, the challenges in detection/investigative efforts multiply. The anonymity offered by cryptocurrencies such as Bitcoin makes the financial movements connected to illegal online transactions extremely difficult to follow, if not impossible. Other trusted and protected payment methods such as Paypal are exploited by more than 35 percent of counterfeiters.

Weak regulatory frameworks for commercial transactions and limited online policing by the ecommerce and social platforms are reported as the primary enabling factor for traffickers to exploit Internet-based platforms over traditional outlets and face-to-face commercial exchanges.



## Free Trade Zones

Free Trade Zones (FTZs) are special areas established within a country's national territory to boost legitimate trade and attract foreign investment. However, as this report confirms, FTZs are also direct facilitators of illicit trade in most of the sectors under review. In particular, criminal groups are known to exploit FTZs for the production, storage, sale, transit and transshipment of illegal and illicitly traded goods. Of particular concern is the widespread misconception that FTZs are "law-free zones."

The present study identified three primary types of vulnerabilities in FTZs common to all the sectors under review:

- **Exploitation of transshipment procedures.** The misuse of transshipment points in cargo routings, especially through FTZs, represents a significant challenge to combating illicit trade. In practice, illicit operations in FTZs can include assembly, manufacturing, processing, warehousing, re-packaging, and re-labelling to deliberately bypass sanctions, disguise identities, the country of origin or the illicit nature of the goods in question. Once these processes have been completed, the goods are ready to be imported directly to the national territory of the hosting state or re-exported to another FTZ, where the process is repeated.
- **Lack of clarity in the scope of regulations that cover customs controls in FTZs.** In some cases, it is not clear if governmental authorities have jurisdiction to exercise customs controls in FTZs. Weak procedures may be in place for the purpose of inspecting cargo. The regulatory opacity affecting many FTZs, compounded by a general "hands-off" attitude on the part of customs and other law enforcement authorities, offers an attractive playground for unscrupulous actors to engage in illicit trade for a variety of goods.
- **Lax law enforcement attitude and lack of resources.** Given the extremely high volumes of shipments often processed in FTZs, one serious vulnerability is inefficient cargo inspection, often due to shortages of human resources. Interviewed sources explained that large-scale traffickers often abuse FTZs because controls are looser than in other transit ports. In addition, when cargoes are seized, customs authorities have reported that prosecuting illicit trade offences in those zones is less likely to occur. This tendency has been confirmed in relation to FTZs in different regions, including Asia-Pacific, Middle East, and Latin America.

The section on FTZs includes case studies revealing how they facilitate illegal activities, like tobacco smuggling in Panama's Colon FTZ, counterfeit pharmaceutical distribution from Dubai to the Bahamas, and the illicit wildlife trade in Laos' Golden Triangle SEZ.

## Postal systems / express couriers

Interviewed sources noted that illicit trade by small parcels is growing in significant volumes, in part due to the increase in online shopping, the proliferation of online marketplaces and e-commerce platforms. These may be subject to limited regulations or inadequate monitoring systems, making it easier for offenders to conduct illicit transactions below the radar.

A survey conducted by the Universal Postal Union (UPU), with the support of TRACIT, found a large number of postal operators reporting counterfeit goods as a major problem. In 2018, OECD noted that nearly 63 percent of customs seizures of counterfeit goods were in the form of small parcels.

- While most sectors under review (except for oil, fisheries and beer, which are less susceptible to trafficking in small parcels) have been affected by illicit trade via small parcels, pharmaceuticals, fake Fast Moving Consumer Goods (FMCG) and luxury goods appear to be most impacted. The use of small parcels is particularly well-suited to counterfeit or otherwise falsified pharmaceutical products, as shipments of both raw active ingredients and completed products can be quite small, easily fit in bubble wrap letter packets and small boxes.
- Counterfeit FMCG manufactured in China are proliferating through the rest of the world through small parcels. Brand owners report extreme difficulties by law enforcement agencies as counterfeiters use different logistics companies and express carriers to avoid detection and change packing so as not to be discovered by technology systems. Interviewed sources from Middle Eastern countries reported that FMCG are among the top three sectors where postal systems are used for illicit trade.

The significant increase in the use of ecommerce platforms to illegally commercialize all types of goods has escalated the problem of illicit trade through small parcels. This growth has outpaced the development and implementation of relevant legal and regulatory frameworks to effectively monitor and intercept illegal goods at the border.

Illicit traders exploit the advantages of trading in small parcels, as they often evade detection by overwhelmed law enforcement agencies. Limited manpower and inadequate infrastructure and technologies hinder a thorough examination of the vast number of small parcels entering ports daily. Offenders exploit this oversight and take advantage of the lower risk of detection compared to larger shipments, which may undergo more stringent inspections.

The verification process for small parcels is typically less rigorous than for larger shipments. Criminals can provide false or insufficient information when sending or receiving small parcels, making it easier for them to operate discreetly and avoid detection.

Illicit goods trafficked through small parcels is a complex problem, which differs between postal carriers and express carriers.

- **Postal carriers.** Traffickers exploit vulnerabilities in structural and institutional frameworks, and the weak IT infrastructure that is unable to adapt to the dynamic nature of illicit trade. The lack of electronic advance data (EAD), inaccurate information, and cumbersome processes to manually review consignment data create multiple points for fraudulent packages to enter the channels.
- **Express carriers.** Express carriers have adopted systems that can provide EAD and implement effective track and trace solutions to remove suspicious packages, enabling them to be more effective partners with customs authorities. However, challenges remain in the quality/accuracy of information, expertise to identify certain categories of illicit goods including counterfeits, cooperation with law enforcement.

## **Links to organized crime, corruption and other offences**

Organized criminal groups (OCGs) exhibit remarkable versatility in engaging in illicit trade across the sectors under review, demonstrating sophistication in sourcing/transportation/distribution practices and infiltrating all stages of supply chains. The COVID-19 pandemic presented both challenges and opportunities for OCGs. While it disrupted illegal supply chains, it also diverted law enforcement focus away from illicit trade.

Domestic legal frameworks for prosecuting illicit traders remain inconsistent, with penalties often lacking deterrence, which in turn encourage traffickers to continue operating in low-risk, high-reward environments.

Some OCGs involved in illicit trade in the sectors under review also participate in narcotics trafficking, terrorist financing, and armed conflicts – fueling political instability and raising heightened security concerns.

Corruption plays a central role in facilitating illicit trade across all sectors reviewed. Countries with burdensome regulations, weak institutions and thriving unofficial economies are particularly susceptible to high levels of corruption. Developing countries often experience increased levels of corruption due to, *inter alia*, low remuneration for officials responsible for combating illicit trade.

Corruption can occur at almost any point in supply chains, involving public officials such as customs/border police officers. Regulatory/inspection agencies may also be involved. Corruption's global cost in the forestry sector, for example, is estimated at USD 29 billion annually, with government officials manipulating documents to make illegal timber appear legal. Insiders, including company employees, have been found to collude with traffickers in sectors such as oil and pharmaceuticals.

Money laundering allows traffickers to distance themselves from their illegal profits by tactics such as introducing proceeds into the legal economy, reinvesting in the same illegal business, or engaging in new illicit trade practices.

To obscure money trails, traffickers often rely on the services of white-collar intermediaries who craft complex financial structures. Cash-intensive sectors like fishing and illicit oil markets facilitate money laundering schemes as well as informal remittance systems - like Hawala. Precious gems are also used for laundering purposes due to the intrinsic characteristics of these commodities and their susceptibility to value manipulation.

Illicit trade fosters a disturbing demand for forced labor due to its pursuit of profit through use of a cheap or even unpaid workforce often made up of vulnerable groups such as children, women and illegal migrants. Forced labor is prevalent across various illicit sectors, from agriculture and minerals to counterfeit goods manufacturing.

## **International policy, regulatory and law enforcement responses**

Illicit trade is addressed by various Inter-Governmental Organizations (IGOs) through a range of tools and mechanisms across different sectors, including treaties, recommendations, guidelines and coordination mechanisms. These often call for the setting up of inter-ministerial task forces, industry engagement supply chain protection measures. Existing instruments and tools vary in structure and content and may need updating to address current challenges.

In the illicit trade space, IGOs often operate in a disjointed manner, which reflects less a lack of political will than the constraints created by their specific bureaucratic mandates. However, the present study also points out a few examples of IGOs reaching out to each other and establishing partnerships to coordinate their responses to illicit trade.

The United Nations plays a major role in addressing illicit trade through its various offices, programs and specialized agencies. Some sectors are dominated by a single IGO that provides comprehensive tools, such as the WHO in the pharmaceutical sector and the FAO in the agri-food sector. However, in other areas such as pesticides, multiple IGOs are involved.

At the regional level, the EU has taken extensive measures to combat illicit trade in its various manifestations, including harmonizing legislation and coordinating law enforcement responses.

From the law enforcement side, IGOs like World Customs Organizations (WCO) and INTERPOL have established global information-sharing mechanisms and coordinate various operations in most sectors under review, leading to arrests and seizures of illicit goods. For instance, INTERPOL's Operation Pangea targets illicit medicines, and Operation Opson focuses on illicit food and drink. Other regional law enforcement initiatives have been found to significantly contribute to illicit trade mitigation goals, such as ReCAAP's efforts to prevent ship hijackings for fuel theft in Southeast Asia.

### **Private sector initiatives and public-private partnerships**

Companies are taking various measures to safeguard their supply chains against illicit trade, considering factors like resource availability, product characteristics and geopolitical constraints. These actions are integrated into broader corporate strategies, aiming to achieve: )i) Positive corporate image, (ii) Risk reduction, (iii) Product safety, (iv) Supply Chain Security, and (v) Consumer Awareness.

Supply chain efforts by private stakeholders to mitigate illicit trade related risks often align with broader initiatives promoting responsible supply chain management, addressing issues such as human rights abuses, forced labor, corruption and money laundering, in line with the UN Sustainable Development Goals.

To operationalize their commitments – often encapsulated in overarching strategic documents and pledges – most companies interviewed for this study have developed codes of conduct whereby they set internal policies (e.g., “know your customers,” risk-management, auditing) and requirements for production and sourcing practices. These policies are frequently extended to sub-suppliers.

In certain sectors, methods originally designed to protect supply chains from safety hazards have been adapted to counter criminal exploitation. For example, some companies in the food industry have repurposed food safety measures to combat the deliberate misuse of supply chains.

Several guidelines and standards currently used to secure supply chains in the sectors under review have been first developed in the framework of industry-wide associations. In some cases, the standards elaborated by industry federations complement and even go beyond governmental regulatory environments.

A survey of the strategies and mechanisms utilized by interviewed companies has identified a number of key policies and operational tools to enhance supply chain transparency and integrity. The study delves into each of the following areas by providing industry examples and good practices in addition to highlighting the potential uses of some of the most promising solutions that have just been released or are in the testing stage.

- Monitoring suppliers' compliance with set standards
- Certification
- Online supply chain monitoring/policing
- Establishment of industry-wide information exchange platforms
- Cooperation with law enforcement agencies and other institutional bodies
- Cooperation with transport/logistics intermediaries
- GPS tracking/satellite monitoring
- Development of consumers' awareness and civil society empowerment
- Track and trace solutions
- Product authentication
- Leveraging Artificial Intelligence
- Other private-sector tools and initiatives

## *Navigating the way forward*

### **Presenting recommendations for mitigating illicit trade**

On top of the insights presented throughout the report, the collective objective of this body of work is found in the associated recommendations to achieve more effective controls on illicit trade.

Three types of recommendations have been derived from the production of the report and they are presented in the following ways:

- 1. Supply-chain and hotspot-specific recommendations.** These were developed by analyzing remedies common to the 10 sectors evaluated in the report as they occur across the supply chain and in three key hotspots: (i) online platforms, (ii) Free Trade Zones and (iii) postal systems/express couriers.
  - These recommendations are presented in **Part 1, Chapter I** at the end of each section.
  - They are also presented collectively as Consolidated Cross-Sector Recommendations in **Part 3, Chapter II**.
- 2. Sector-specific recommendations.** These recommendations emerged from the research and investigations into each of the 10 sectors reviewed for the report.
  - They are presented in the Recommendations section corresponding to each sector chapter in **Part 2, Chapters I - X**.
- 3. General recommendations on illicit trade.** These recommendations attend to a grander, big picture imperative to propagate illicit trade mitigation remedies more widely.
  - They are presented in **Part 3, Chapter I**.

## Understanding the recommendations

In all three cases, the recommendations are aimed at a diverse array of stakeholders, ranging from governmental authorities (policymakers and law enforcement agencies) to international public officials in charge of designing and implementing illicit trade mitigation programs, to industry actors committed to improving supply chain monitoring.

The featured recommendations also exhibit a dual approach. On one hand, they advocate for high-level, sweeping strategies (i.e., calling on governments to adopt comprehensive strategic frameworks and cultivate robust public-private partnerships). These overarching measures serve as the bedrock for a coordinated and systemic response to the complex issue of illicit trade. On the other hand, the recommendations are focused on specific actions and areas of intervention (e.g., outlining the necessary steps to effectively monitor online platforms, or address the misuse of vessel registration for illicit trade purposes).

In all cases, the recommendations are presented as catalysts for change, sparking discussions in both national and international policy-making circles and contributing to shaping a purposeful response to illicit trade, thus ultimately leading to a safer and more secure global landscape.

## Summary of recommendations

### General recommendations on illicit trade

The general recommendations presented in this report attend to a grander, big picture imperative to propagate illicit trade mitigation remedies widely. They are presented categorically in detail in **Part 3, Chapter I**.

- Strategies, knowledge and data
- Criminal offences and sanctions
- Smart and innovative prosecutorial strategies
- Inter-agency coordination, information-exchange, treaty actions
- Tax policies and subsidies
- Consumer education and empowerment
- Role of non-governmental organizations
- Collaboration with the private sector

## Supply chain and hotspot-specific recommendations

The following list contains the high-level title of the recommendation. Each is more fully developed in **Part 1, Chapter I** in the modus operandi section and in the *Consolidated Cross-Sector Recommendations* in **Part 3, Chapter II.**)

### Supply chains and transport

- Strengthen domestic legal frameworks for supply chain monitoring and protection.
- Enable and equip law enforcement to conduct improved supply chain monitoring.
- Improve international law enforcement coordination.
- Empower regulatory/inspection authorities.
- Raise awareness and train institutional actors.
- Provide law enforcement agencies with enhanced technology for supply chain monitoring and policing.
- Leverage the power of technology-based solutions for track and trace.
- Enact sound procedures for product storage and disposal.
- Strengthen due diligence policies and responsible sourcing.
- Enhance action against forced labor
- Step up due diligence action by intermediaries.
- Increase transparency and traceability by verifying shipping documents.
- Leverage technology to monitor the movement of means of transport.
- Strengthen national and international regulations on vessels and their enforcement.
- Enhance the physical protection of means of transport in the maritime domain.

### Online platforms

- Extend the regulatory framework applicable offline to online transactions.
- Promote a clean digital environment.
- Implement more robust “know your customer” (KYC) policies.
- Inform consumers regarding third-party sellers.
- Ensure that listings of illicit products are quickly identified and taken down.
- Monitor fraudulent marketing and advertising tactics.
- Channel online intelligence to inform offline enforcement measures.
- Bar repeat offenders from their online marketplaces and share information about repeat infringers with law enforcement and legitimate brands.
- Launch awareness campaigns, including on smart online purchasing.



## **Free Trade Zones**

- Design a regulatory environment conducive to transparent and adequately policed FTZs.
  - Acceptance of Annex D of the Revised Kyoto Convention.
  - Authority for customs to exercise unrestricted rights to enter and observe day-to-day operations.
  - Compliance with the standards enshrined in the OECD's Recommendation on Enhancing Transparency in Free Trade Zones, including the adoption of the Code of Conduct for Clean Free Trade Zones.
  - Empowering regulatory bodies to inspect bonded warehouses located in FTZ.
- Implement strong operational measures to protect FTZs from illicit trade activity.
  - Conduct risk profiling of suspect shipments and ex-officio checks on goods stored and services conducted in FTZs.
  - Extend customs supervision to the FTZ perimeter as well as entry and exit points.
  - Validate the identity of FTZ's economic operators and their clients.
  - Implement "Know Your Customer" and "Due Diligence" measures.
  - Require that FTZ maintain and report on statistical data on goods entering and leaving their territory.
  - Establish or designate a competent authority to issue licenses to manufacture, import, export, broker, or ship raw materials and other key inputs necessary for production within manufacturing and packaging facilities in FTZs.

## **Postal systems/express couriers**

- Improve due diligence at points of entry.
- Encourage better collection and relay of electronic advance data (EAD).
- Encourage cooperation with e-commerce platforms.
- Treat domestic warehouses and fulfillment centers that belong to e-commerce platforms as the ultimate consignee.
- Develop a Suspension and Debarment List.
- Integrate customs screening and examination process into postal processing chains.
- Upgrade information technology (IT) infrastructure for screening.
- Encourage customs authorities to share information back to the carriers to help them improve risk assessments and to blacklist clients that are repeat offenders.



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