

# Policy Recommendations to Combat Illicit Trade

*Inspired by the Global Illicit Trade Environment Index*

## Myanmar

### Introduction

To inform 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 (iii) 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 Myanmar.

### **Priorities for Myanmar**

- **Develop a comprehensive and effective multilateral, cross-sector response to illicit trade.** Transnational criminals are not bound by national borders. Moreover, illicit traders exploit Myanmar’s long and porous borders with China, India, Bangladesh, Thailand and Laos, which are difficult to police comprehensively. As such, Myanmar must reach out to its neighbors and call for greater government-to-government cooperation, especially in the areas of Customs, law enforcement and information exchange on exports and high-risk products vulnerable to smuggling.

Myanmar should also make its voice heard in the framework of organizations it is a member state of, such as the Association of Southeast Asian Nations (ASEAN), and work with neighboring regional bodies like Asia Pacific Economic Cooperation (APEC). Regional cooperation mechanisms should be utilized to the greatest extent to press for multilateral engagement and to draw from other countries’ best practices. These could serve as reference to develop Myanmar’s enforcement legislation against illicit trade.

- **Strengthen interagency cooperation at the national level**, particularly law enforcement agencies such as the Ministry of Finance, Commerce, Border Control, Police Force and General Administration Offices. Limited or ineffective coordination between government agencies is often exploited by illicit traders. Myanmar should appoint an “Anti-Illicit Trade Coordinator” with high-level authority within the Union Government Office; it should also establish an interagency task force to raise the profile, oversee coordination of these key agencies, allocate necessary financial and personnel resources and drive implementation of enforcement measures.
  - For example, the Australian government’s decisive action in the fight against illicit trade includes establishment of a multi-agency “Black Economy Standing Taskforce;” increased funding for coordinated enforcement (\$135 million); increased penalties; and a legislative and regulatory package to address gaps that have long been abused by organized criminal syndicates.
- **Initiate partnerships to leverage the strengths of the private sector**, including: developing and deploying technology solutions based on internationally recognized open standards to protect the integrity of supply chains; sharing intelligence and data to improve risk assessment and border control; improving awareness; and, expanding the knowledge base. Such public-private partnerships also enhance a jurisdiction’s international reputation as a secure port of call for legitimate trade. EuroCham Myanmar and the companies that form its Anti-Illicit Trade Advocacy Group are prime partners for intensifying working relationships between business and government.
- **Strengthen criminal penalties**. Raising standards across the region should be a priority to prohibit illicit traders from exploiting countries and markets with the weakest penal regimes. In addition to court-imposed penalties and fines, consideration should be given to rescinding business licenses from retailers, manufacturers and distributors involved in illegal trade.
- **Take strong and proactive measures to protect FTZs from illicit traders**. Although Customs agencies have the authority—under the Myanmar Special Economic Zone Law of 2014—to exercise supervisory powers over the movement of goods through and from free and protected zones within Special Economic Zones, the legislation should be strengthened to more effectively prevent illegal trading. Additional measures should start with stronger controls on risk profiling suspect shipments; ex-officio checks on goods stored and services conducted in FTZs; Customs supervision of the FTZ perimeter and entry and exit points; validation of identity of an FTZ’s economic operators and their clients; and implementation of “Know Your Customer” and “Due Diligence” measures.
- **Intensify public awareness on the threat and harms of illicit trade in tangibles and intangibles, both offline and online**. Myanmar has one of the biggest buyer bases for illegally traded products in South East Asia, partly due to the lack of awareness on the risks of illicit products. Myanmar can reduce demand for illicit products by debunking false claims of positive health effects of illegally-sourced wildlife and educating consumers on the real dangers of consuming unlicensed alcohol or substandard

medicines. Specifically, policymakers should consider their obligations to implement the UN Guidelines for Consumer Protection.

- **Normalize import of foreign spirits.** In Myanmar, imports of foreign spirits, except for duty free channels and the small duty paid luxury hotels channel, are officially banned since 1998 (Order No. 5/98 of the Ministry of Commerce). The ban artificially suppresses the market's legitimate demand for imported products, creating strong incentives for illicit operators to import alcohol through non-tax-paid channels from neighboring countries. Policy reforms should also include the lifting of the import ban as it would stimulate the growth of alcohol through tax paid channels, thereby substantially reducing illicit trade and boosting government revenues.
- **Rationalize tax policies and subsidies** to ensure that they do not incentivize illicit trade, smuggling, adulteration and theft. For example, mixed specific and ad valorem excise tax structures for alcohol are considered appropriated for middle- and low-income countries. Tax policies also need to account for various demand-related factors including overall consumption, price, income levels and the ensuing affordability of products.
- **Tackle pervasive corrupt practices** that continue to facilitate illicit trade, notably at the level of customs, law enforcement authorities and the judiciary. Increased automation in customs procedures can be effective in mitigating "opportunities" for corruption. Also, greater transparency in public procurement can limit corrupt practices and protect legitimate companies from financial loss and associated scandal. Addressing corruption must be tackled head on if strategies to combat illicit trade are to have any chance for success.
- **Increase the effectiveness of customs procedures** to block the inflow of illicit and parallel (grey) market products into Myanmar. Given the porous borders, it is critical to invest in additional manpower that are trained and better equipped to manage port and border check points. Manpower should be rotated periodically to mitigate against complacency and/or corruption.
- **Explore the establishment of joint investigation teams (JITs) with other countries.** Partnerships with key intergovernmental organizations can be useful to support the formation of JITs and, in general, in the conduct of transnational investigations, including UN Office of Drugs and Crime (UNODC), World Customs Organization (WCO), Europol, Interpol and the European Anti-Fraud Office (OLAF).
- **Study patterns of illicit trade flows** into and out of a country to pinpoint sources of illicit supply.