

OECD HIGH LEVEL RISK FORUM

Task Force on Countering Illicit Trade

WCO-OECD Regional Policy Dialogue on Countering Illicit Trade: Addressing the Governance Gaps in Europe

WCO Headquarters, Brussels, Belgium
7-8 November 2016

Objective

During the meeting, participants will discuss some of the core challenges we face in countering illicit trade, including the ability to share information between Customs and other law enforcement administrations; coping with emerging trends such as the resurgence of wildlife trafficking; finding innovative approaches to issues including illicit trade in Free Trade Zones; developing policy responses to counter trade based money laundering; and increasing the effectiveness of penalties and sanctions to deter illicit trade. This meeting will explore what policies can enhance efforts to prevent and deter illicit trade in Europe, as well as support the dismantling of criminal networks behind it.

Policy context

Every day illicit products including counterfeits, narcotics, tobacco, alcohol, illegal wildlife products, arms and cultural objects are bought and sold in Europe, which is the single largest market in the world.

The OECD has identified the persistent and complex risk of illicit trade as a transboundary challenge with important implications for all policy makers. The OECD High Level Risk Forum (HLRF) brings together policy makers from 30 governments, practitioners from the private sector and experts from think-tanks and academia to share good practices with the aim to improve the governance and management of complex risks and invest in resilience against issues such as illicit trade. The HLRF convenes this network to discuss, chart and counter illicit trade.

The OECD and the World Customs Organization (WCO) are stepping up their co-operation to build synergies and integrate their collective efforts to counter and reduce illicit trade. In this context, this regional dialogue seeks to identify and examine policies and practices that will help countries enhance cross-border law enforcement co-operation. The meeting will support an ongoing process to build international consensus on the sharing of information that enables such co-operation. The issues discussed will also contribute to broader action plans by governments to implement Targets 15 and 16 of the Sustainable Development Goals, which foresee “by 2030, to significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.”

Illicit trade undermines the ability of governments to collect important sources of revenue that help ensure the key public services in the health, safety and security of its citizenry. Networks of counterfeit trade undermine creativity, innovation and competitiveness, and hamper investment in the research and development of new products and ideas. The sub-standard quality of products that criminal networks use to produce their wares leads to accidents in homes, in workplaces and

industrial facilities, and reduces the competitiveness of legitimate businesses. A recent OECD-EUIPO study developed under the TF-CIT found that up to 5% of all imports in Europe are counterfeit, i.e. twice the global average.

Illicit trade is not limited to endangering public health and cutting off sources of revenue. The trade in endangered species marks a threat to the world's ecological balance and sustainability of the rural communities by hampering their growth potential. It represents a rich source of revenue to transnational criminal organisations. The rise in the illegal mass-killing in endangered species such as elephants, rhinoceroses and tigers over the last decade has outpaced global conservation efforts. Every continent is a source and consumer of wildlife trafficking, not just Africa and Asia. Governments, policymakers and international organizations are faced with the challenge of developing new and effective countermeasures in the global fight against this form of illicit trade in iconic species and non-renewable resources.

Vectors and facilitators of legitimate trade can also be co-opted for nefarious goals: A growing body of research on the misuse and exploitation of Free Trade Zones (FTZs) demonstrates that criminal elements are capitalizing upon a lack of oversight in many of these zones for the purposes of illicit trade. Criminals have been known to smuggle goods ranging from illicit tobacco, to counterfeits, and even conduct arms trafficking through these zones. If improperly administered, the gains of trade facilitation from FTZs can quickly be eroded by the risks and potential harms posed by the illicit nature of certain goods flowing into other countries from these zones.

Europe is not alone in confronting these risks as the market for such illicit products represents a challenge that is faced in many countries around the world, and in particular large emerging economies. Increasing volumes of illicit trade represent lucrative and diversified business opportunities for criminal enterprises. The networks that connect suppliers of illicit goods to consumers have shown to be complex and highly sophisticated, relying on modern telecommunications and cutting edge technology to evade detection across multiple jurisdictions. All law enforcement agencies have a role to play in contributing to national security and public safety, however Customs administrations are often at the fore in the efforts to counter illicit trade due to their powers at ports of exit, transit and entry.

References:

OECD (2016), *Illicit Trade: Converging Criminal Networks*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264251847-en>

OECD and EUIPO (2016), *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264252653-en>

WCO *Illicit Trade Report* (annual edition), <http://www.wcoomd.org/en/topics/enforcement-and-compliance/resources/publications.aspx>

Financial Action Task Force (2010), *Money laundering vulnerabilities of Free Trade Zones*, FATF/OECD: Paris, <http://www.fatfgafi.org/media/fatf/documents/reports/ML%20vulnerabilities%20of%20Free%20Trade%20Zones.pdf>

Event organisation structure:

This regional dialogue is organised by the OECD Public Governance and Territorial Development Directorate, in the context of its Task Force on Countering Illicit Trade of the High Level Risk Forum, and the World Customs Organization.

Draft Agenda

7th November 2016 – Day 1

08:30 - 09:30 Registration

A welcome coffee will be served outside the Conference Centre beginning at 8:45.

09:30 – 09:40

Opening Address:

Objectives of the meeting, and overview of Illicit Trade in Europe

- Ana HINOJOSA, Director, WCO Compliance and Facilitation Directorate
- David LUNA, Chair, OECD TF-CIT, United States Department of State

09:40 – 11:00

Session 1: Co-operation across Customs and other enforcement agencies to counter illicit trade

Criminal networks engaged in illicit trade take advantage of increased transnational flows and the jurisdictional limits that national law enforcement bodies face to avoid detection and arrest. Stronger cross-border co-operation between law enforcement agencies is needed to address the scourge of illicit trade. In this session, invited speakers will discuss what policies can be developed and implemented to successfully support cross-border cooperation between Customs authorities and different types of law enforcement agencies. The focus will be to examine the success factors behind formal and informal information sharing arrangements, as well as discuss the lessons learned and barriers to efficient and effective international cooperation. The audience will be invited to discuss practical options for strengthening information sharing networks at the international level to overcome these hurdles.

Questions for discussion:

- How can countries develop strategies and enhance coordination at regional level to reduce smuggling? What has worked well and why? What are the current gaps?
- What kinds of data do foreign counterparts provide, on what basis, and what is further needed to facilitate interdictions, investigations and implement sanctions?
- What are the enablers as well as the hurdles to effective inter-agency cooperation and how can some of the hurdles be addressed?

Speakers:

- Eirini STAMOULI, Greece General Secretariat Against Corruption
- Maria Elena Sierra GALINDO, Mexico SAT (Servicio de Administración Tributaria)

11:00 – 11:30 **Coffee Break**

11:30 – 13:00 **Parliamentarian Roundtable: illicit trade in Europe**

Members of the European Parliament will be invited to discuss legislative initiatives they are involved in to counter illicit trade and to consider proposals related to the improved governance and coordination of law enforcement bodies that could further enhance these efforts.

Speakers:

- *Emma McCLARKIN, Member of European Parliament, UK*
- *Julia REDA, Member of European Parliament, Germany*

Moderator David LUNA, Chair, OECD TF-CIT, United States Department of State

13:00 - 14:30 **Lunch**

14:30 - 16:00 **Session 2: Global supply chain vulnerabilities: the case of Free Trade Zones**

Free trade zones (FTZ) have been developed to address certain goals such as trade facilitation, economic growth and job creation; however, they can also be used as safe havens, if not facilitators, of different forms of illicit trade in the absence of certain regulations. What specifically occurs in some FTZ to enable illicit trade and what specific measures would help law enforcement to ensure the integrity of supply chains? Speakers in this session will present case studies on how FTZ have facilitated illicit trade destined for European countries, and will be invited to suggest specific policies to remedy the situation.

Questions for discussion:

- How can enforcement agencies in Europe assess the level of risk and non-compliance of certain FTZs and foster greater cooperation?
- What are specific examples of enforcement policies (including compliance requirements) that can be used to reduce illicit trade from compliant FTZs?
- How can enhanced cooperation for data and information sharing prevent illicit trade arriving from FTZs? How can this be applied?
- What are some examples of good practises regarding the cooperation arrangements with FTZs and how can these be expanded?

Speakers:

- *Christopher MARTIN, UK, Her Majesty's Revenue and Customs (HMRC)*
- *Mr. Cees FOSSEN, Netherlands, Tax and Customs Administration*

16:00 - 16:30 **Coffee Break**

16:30 – 18:00 **Session 3: Illicit financial flows and trade based money laundering**

Trade is used on a regular basis by criminal networks to launder proceeds of crime; by way of complex networks, organized crime groups can legitimise vast sums of money through the transfer of value from goods traded across borders. What targeting and investigative measures are being taken by governments in Europe to detect trade based money laundering? What are the gaps that exist in cooperation that are necessary to

properly enforce anti-money laundering legislation? Speakers in this series will discuss current case studies, recent investigations, and propose further remedies to address the gaps in law enforcement cooperation in a European context to prevent the laundering of proceeds of crime through trade.

Questions for discussion:

- What are some of the identified trends and strategies in trade based money laundering in Europe? Does this phenomenon appear in other areas of the world and what are the factors that make Europe particularly vulnerable?
- What are some recent examples of international cooperation to investigate trade based money laundering and dismantle criminal networks?
- What policy tools are required and by whom to effectively combat trade based money laundering?
- What role does the private sector (financial institutions, intermediaries, trade industry) play in countering trade based money laundering?

Speakers:

- *Tony TORTORA, United States Immigration and Customs Enforcement (ICE)*
- *Varun VIRA, C4ADS*

Moderator *David LUNA, Chair, OECD TF-CIT, United States Department of State*

8th November 2016 – Day 2

09:00 - 10:30

Session 4: Wildlife trafficking— illicit trade in Europe

This session will focus on wildlife trafficking as an emerging sector of illicit trade in Europe. Presentations will provide an overview of the illegal trade in endangered species in Europe, discuss the main types of species that are illegally exported and identify the demand side factors in destination countries. Discussion will focus on the success factors for reducing illicit trade in wildlife, how different types of law enforcement agencies can coordinate efforts across government, and encourage broader take-up of identified good practices and effective tools available to enhance enforcement capacities.

Questions for discussion:

- What policies have proven effective to reduce the trafficking of endangered species from Europe, to Europe or through Europe?
- What examples are there of successful anti-wildlife trafficking operations, and what are the success factors in conducting cross agency cooperation in?
- What examples are there of corruption as a facilitator of illicit trade in wildlife, and what specific measures are needed to reduce it?

Speakers:

- *Sorey FEJTO, France, Direction générale des douanes et droits indirects*
- *Gaël de ROTALIER, European Commission, DG Environment*
- *Cornelis van DUIJN, INTERPOL*

Moderator *Tom KEATINGE, Royal United Services Institute*

10:30-11:00

Coffee Break

11:00-12:30

Session 5: Increasing the effectiveness of prosecution and penalties to combat illicit trade

Trade in counterfeits, wildlife, art and antiquities and some excise goods are often referred to as low risk, high reward. This session will discuss the ways in which sanctions and financial disincentives prevent and deter certain types of illicit trade over others. It will discuss the level of sanctions and their frequency, and will also consider the length of enforcement and judicial processes to assess whether these sanctions have a deterring effect. Taking into account observations and experience from counterfeiting, tobacco smuggling, illegal wildlife trade and other forms of illicit trade, presentations will illustrate how illicit trade networks are moving into fields with lower risk and higher gain. Presenters will also discuss ways in which reform to penalties and enforcement processes can better reflect the social and economic harm that such crimes produce.

Questions for discussion:

- How can we assess the effectiveness of the sanctions and penalties system? What are the biggest gaps in terms of enforcement? Where do Customs officers face the greatest hurdles?
- How can cooperation among enforcement agencies, including through Customs and cooperation with the judiciary be improved to create effective deterrents?
- How can reforms to the sanctions framework for certain types of illicit trade deter and prevent recidivism in illicit trade?

Speakers:

- *Panayota ANABOLI, European Commission, TAXUD*
- *Carlo van HEUCKELOM, Europol*
- *Stefano BETTI, Business Action to Stop Counterfeiting and Piracy*
- *Alexandra ILIOPOULOU, Business Action to Stop Counterfeiting and Piracy*

Moderator *David LUNA, Chair, OECD TF-CIT, United States Department of State*

12:30 – 13:00

Coffee Break

13:00 – 13:30

Policy Conclusions and Wrap-up

This session will invite participants to draw policy oriented conclusions from the discussions and identify specific actions for governments to undertake to counter illicit trade. The discussion will offer practical suggestions for follow up, including through cooperation between WCO and the OECD Task Force on Countering Illicit Trade.

Moderators: OECD and WCO

13:30

Close of meeting

More information: <http://www.oecd.org/gov/risk>