Illicit trade, economic growth and the role of Customs: a literature review

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Abstract

Many developing economies depend heavily on trade-related taxes for their economic wellbeing and wealth creation. The growth in international trade, increase in the number of travellers, advances in technology and changes in trading methods have set new challenges for governments — challenges that require a change in the functioning of customs and border management if these offices are to function effectively and efficiently.

This research paper furthers our understanding of the impact of illicit trade on economic growth, an important area of customs enquiry which has received little attention in prior studies. The study seeks to identify options for improving customs activities in order to maximise the detection of revenue leakage, while maintaining trade facilitation. The study analyses the extant literature and uses cross-country data to gauge the effect of illegal imports on economic growth.

In light of limited information on the value of illicit trade due to its very nature, the analysis was restricted by the availability of data. Nevertheless, the findings show that illegal economic activity distorts local economies and reduces legitimate business and tax revenues. The paper concludes that the costs of illicit trade are not only economic but also have social implications, as illicit trade undermines the social stability and socioeconomic welfare of communities, preventing the equitable sharing of public goods. Further, it was found that Customs is a high risk area in which corrupt officials can facilitate duty evasion, causing significant financial damage to the government's budget and to the economic stability of compliant traders. The review highlights the need for improved customs practices and suggests areas for further research.

1. Introduction

Many developing countries rely heavily on trade taxes for national revenue (Guo & Yung-Hsing 2013), with the International Monetary Fund (IMF) (2005) estimating trade tax revenue for low and middle income countries to be between a one-quarter and one-third of total tax revenue. Tax avoidance or evasion eats into the national income of both developed and developing economies. Torgler and Schneider (2007) describe taxpayers as economic evaders who will always assess the benefits and costs of noncompliance. Customs duty is complex and is particularly susceptible to revenue leakage as taxpayers have many avenues to evade, including collusion with tax officials, making it difficult for the evasion to be detected. In addition, internationalisation has facilitated the global growth of illegal trade (Grant Thornton 2014).

Customs revenue is the summation of import values multiplied by tax rates applicable to imports, less tax exemptions by local laws or international agreements (World Bank 2005, p. 105). In some cases taxes and import duties are levied on specific goods to make imported goods more expensive, with the sole aim of protecting local manufacturers and jobs in local industries, hence protecting the economies from competition by goods from other countries. This is demonstrated clearly in developing countries such as Zimbabwe, where clothing companies, including Merlin, Archer Clothing and Edgars, have closed down or have retrenched staff due to competition from cheap imports and second-hand goods — the country has since banned the importation of second-hand goods in order to revive this sector.

In light of the above, it follows that economic wellbeing and wealth creation are driven by trade and it is every country's sovereign right to control the flow of goods and services across its borders according to their customs regulations. Hence customs administration plays a pivotal role when it comes to control, facilitation and regulation of international trade. According to Jones (2001), the border is the place where countries control the movement of goods, people and crafts entering or exiting their territories, and where compliance in areas such as security, food safety, customs procedures and control of prohibited goods takes place. Normally, there are commodities which are prohibited from a country, be it for religious reasons or other reasons (such as the goods being hazardous to the environment and human beings), but one still finds them having entered the country. For instance in Zimbabwe, even though skin lightening creams like Diprosone are prohibited they are still readily available on the streets and in salons.

Integrity issues are also apparent. For example, customs officials have gained fame for using statements such as, 'there is a missing page in your passport', in a bid to extort money from their victims (Dandira 2012). Recently the abuse of whistle-blowing funds by Zimbabwe Revenue Authority (ZIMRA) officials headlined the news, alleging that it has become an insider activity with officials tipping their relatives to whistle blow and share the reward. In this regard, Picur and Riahi-Belkaoui (2006) found that tax compliance increases with an increase in control of corruption and creation of tax morale.

In addition to the above, developing countries reportedly have higher import tariffs than developed countries, thus hampering trade among the developing countries and impeding the competitiveness of the economies. Developing countries are also characterised by inadequate financial and human resources, inefficient manual systems and slowness in adapting to modern technology (World Bank 2005, p. 286). There has also been a debate as to whether it is economically advisable to exempt government imports from taxes, with some arguing that there is zero benefit in the government collecting taxes on its own imports, while others argue that it is costly to verify if the imported goods are actually used for state purposes (World Bank 2005, p. 234).

Customs administrations are now referred to as the key border agencies and are expected to raise substantial revenue, protect domestic manufacturers, provide supply chain security, prevent the importation of restricted imports, and implement laws and regulations that are in line with the World Trade Organization (WTO) (World Bank 2005, p. 5). Customs reforms are important in strengthening revenue-generating capacity, enhancing trade facilitation and combating smuggling and corruption (World Bank 2005, p. 108), and Yanikkaya (2003) found that trade barriers are positively related to growth, especially in developing countries. As Bird (2010) rightly states, 'There is no simple road to better (or bigger) taxation in developing countries'. This paper is therefore of particular relevance to developing countries where economic development can be severely hindered by lower public revenue due to tax noncompliance and where women constitute approximately 70–80 per cent of informal cross-border traders (Masinjila 2009).

2. Literature review

This section defines illicit trade, examines the drivers of illicit trade, ways in which illegal trade is perpetrated, the costs involved, lessons from other countries, the impact of illicit trade on economic growth and the role of Customs in addressing customs evasion.

2.1 What is illicit trade?

The World Health Organisation (WHO) defines illicit trade as 'any practice or conduct prohibited by law and which relates to the production, shipment, possession, distribution, sale or purchase of goods and services including any practice or conduct intended to facilitate such activity'. The key drivers of illicit trade include low chances of being discovered and prosecuted, weak legal and regulatory frameworks, as well as weak enforcement (Grant Thornton 2013). Though there are various categories of illegal trade, including wildlife such as rhinoceros horns, cigarettes, etc., the categories most exposed to illegal trade are fuel, tobacco, digital and pharmaceuticals (Grant Thornton 2013). Estimations of illicit trade in pharmaceuticals for the years 2005 and 2011 are provided in Table 1, indicating the amount of revenue lost globally in this area.

Table 1. Estimated value of world illicit trade in pharmaceuticals

	2005	**2011**
Estimated value of world pharmaceutical market	Euro550 billion	Euro614 billion
Value of illicit trade	**Euro44 billion**	**Euro49.1 billion**

2.2 Illicit trade and the shadow economy

Policymakers worldwide have pointed out the positive impact that international trade has on economic recovery and sustainable growth. To this end, customs administrations are integral to economic growth. In this regard Customs needs to identify and understand the key international, regional and national strategic drivers, the nature of illicit trade, and ways in which such trade is conducted, including substitution of a commodity, incorrect quantity declaration, fictitious exports, misclassification of goods, non-declaration and mis-declaration. In Russia in 2004, the minister of the economy estimated lost revenue of about USD4.5 billion in duties on goods imported from Europe which could have been a result of false declaration. In Bangladesh in 2000, the foregone customs revenue traced to customs inefficiency was estimated to exceed five per cent of GDP (OECD 2003).

Other methods of illicit trading or duty evasion include outright avoidance of official customs controls, under-declaration of goods, undervaluation of goods, misclassification of goods, falsification of documents, collusion with tax authorities and smuggling. Fishman and Wei (2004) found a one per cent increase in tax rates being associated with a three per cent increase in customs evasion, and mostly through misclassification of imports and underreporting of import values. The impact of these activities has negatively affected trade and had a devastating impact on the formal economy.

Dutt and Traca (2008) argue that while corruption impedes trade in low tariff environments, it may also result in trade enhancement. Researchers such as Hübschle (2011) have termed such activity as the shadow economy. The size, causes and consequences vary from country to country, with estimates of the shadow economy placing the scale of the issue at USD650 billion, or a staggering USD2 trillion including money laundering. The shadow economy is said to comprise all goods and services which should be part of the calculation of national product but are not, and there are strong indicators of the growth of the shadow economy globally. Commenting on the growth of illicit trade and the shadow economy, Glinkina and Rosenberg (2003) note that 'the effective management of the economy by the state is undermined. The taxation and foreign exchange base that any state needs to manage its economy is eroded by the rapid flight from official to the underground economy. Macroeconomic stability is thus harder to attain and sustain. Further the legitimacy of the overall legal and regulatory system is challenged'. Illicit trade and illegal trade are said to be the biggest components of the shadow economy, especially in developing countries where most of the informal traders rely on illicit means to import and export goods.

According to Olson (1985) a growing shadow economy can be seen as a reaction by individuals who feel overburdened by the state and who choose the exit option rather than the voice option. If the growth of the shadow economy is caused by a rise in overall tax, then the consecutive flight into the underground economy may erode the tax and social security base. The results of this vicious circle include further increases in the budget deficit, additional growth of the shadow economy and gradual weakening of the economy. A growing shadow economy may also attract workers from the official labour market and create competition for legitimate firms.

2.3 The impact of illicit trade on economic growth

Illicit trade also brings about risks to economic growth and sustainable development. Illicit trade and illicit markets are providing not only a safe haven and exploitable sanctuaries for illicit forces but also illicit liquidity for corrupt officials. Consequently, illicit trade and the wide availability of illicit liquidity prevent fair and open markets from reaching their full economic potential and threaten state sovereignty. This trade also causes enormous costs, such as the corruption and destabilisation of society, harmful effects of drugs, lost productivity and other social costs, including those associated with the dumping of toxic wastes, poaching of endangered species, endangering human lives and public health as a result of counterfeit drugs flooding the market. All of these illicit trade activities have an economic effect, as they divert money and other resources from the balance sheets of legitimate businesses to those of illegitimate ones. National revenue and assets intended to finance the future are instead embezzled, impairing the ability of communities and businesses to make the investments.

Illicit trade is growing in scope and magnitude due to increased globalisation, free movement of goods and internet usage. A study entitled 'Tackling the black market in Ireland', estimated that illicit trade in Ireland is costing the economy USD860 million per annum. The OECD has estimated the cost of illicit trade of physical goods to the global economy to be around USD250 billion whilst the International Anti Counterfeiting Coalition estimates the figure to be USD600 billion per annum. According to WCO statistics, the discovery by customs officials of over 9.5 tonnes of illicit products, including cocaine and heroin, more than 360 tonnes of chemicals and 200 kilograms of methamphetamines is an indication of the magnitude of this illicit trade. Customs remains a vital tool available to stimulate trade and stem the flow of illicit goods that weaken the economies, recognising that trade contributes to national development, competitiveness, job creation, wealth creation, poverty reduction and sustainable economic growth.

The effect of illicit financial flows on the economy is also significant as pointed out by O'Hare et al. (2014), who acknowledge that illicit financial flows have social consequences, including reduced expenditure on health, education and infrastructure. They define illicit financial flows as the unrecorded movement of capital out of the country in contravention of regulations. Illicit financial flows include legitimately earned capital that becomes illegitimate when taken across borders to evade paying tax to the country of origin, and commercial tax evasion is estimated to account for 60 to 65 per cent of total illicit financial flows.

Walbeek (2014) investigated the effect of the illicit cigarette market using the government revenue data in South Africa with the aim of establishing whether increases in the illicit cigarette trade significantly undermines Treasury's excise tax revenue comparing actual excise tax revenue from cigarettes to budgeted excise tax revenue. They established that during the period 2005 to 2012 cigarette excise revenue was, on average, 2.6 per cent below the budgeted revenues, and for the period 2009 to 2012 was 6.5 per cent below budget.

Khaled (2013) looked at the effect of illicit trade in narcotics on the global economy and observed that illicit markets — especially those dealing with narcotics — constitute grievous threats to the world's economy and threaten global safety, economic progress and security. He points out that some of the effects of this illicit trade are that the trade gradually turns business rules upside down. He argues that the revenue from illegal drugs in 2011 alone was roughly ten per cent of global GDP. Hübschle (2011) asserts that illicit trade leads to huge amounts of income that is unaccounted for. For instance, in 2009 the overall amount of money from trade in illegal narcotics was roughly USD1.25 trillion that is not yet accounted for.

In reality, illicit trade generates a range of effects on the global economy, effects that touch on crucial economic factors linked to production as well as consumption and distribution (Hübschle 2011). As pointed out by Jenner (2011), illicit trade has developed to a level that is sabotaging the main economic framework. The extent to which the global economy is indeed endangered is said to be huge. According to Ellis (2009), the high amount of foreign exchange as a result of illegal trade revenues can cause currency overvaluation and loss of competitiveness for exports and domestic production, which competes with imports, among other distortions in business operations. Jenner (2011) asserts that there is a potential of slow economic progress as people's behaviours change from performing productive activities to non-productive ones. This situation is then likely to increase the costs of operating a formal economy. In the words of Mamdani (2004), illegal trade tends to encourage unequal development of regions as revenues tend to be concentrated in particular economies of the world. It also leads to distortions of resource allocation, prices, consumption and impacts on imports, exports and results in potential problems in investment and economic growth, corruption, risks of real sector volatility, strengthening of skewed income and wealth distributions, economics statistics and thus potential errors, undermining the credibility of legal institutions (UNODC 2011).

According to some estimates, the illegal economy accounts for 8 to 15 per cent of world GDP, distorting local economies, diminishing legitimate business revenue, fuelling conflict and deteriorating social conditions. From Wall Street to other financial centres across the globe, illicit trade networks are infiltrating and corrupting licit markets, reducing productivity and incentivising investments in research and development. Four major costs of illicit trade were identified as lost revenue, distortion of market prices, collapse of local industries leading to unemployment and the social costs that endanger the health and safety of nationals, destroy vital habitats and ecosystems and threaten the tourism industry. Grant Thornton (2013) also added costs of counterfeiting and corruption as costs of illegal trade. Some of the costs further include jeopardising public health, emaciating communities' human capital, eroding the security of our institutions and destabilising fragile governments (OECD 2011).

Table 2: Illicit trade market values

Black Market/Illicit Trade Market Values	US Market Value
Number of jobs created by the black market globally	$1.8 billion
Alcohol Smuggling	$34 million
Counterfeiting	$225 billion
Cigarette Smuggling	$10 billion
Cocaine	$35 billion
Counterfeit US Dollars	$103 million
Gas and Oil Smuggling	$10 billion
Illegal Gambling	$150 billion
Illegal Logging	$1 billion
Movie Piracy	$25 billion
Music Piracy	$12.5 billion
Kidney Organ Trafficking	$30,000 per kidney
Software Piracy	$9.7 billion
Prostitution	$14.6 billion
Total United States Illicit Trade Value	$625.63 billion
Average US Street Value for Illicit Items	**Street Value**
AK-47 Price	$400
Cocaine Price	$174.2 per gram
Ecstasy Price	$35 per tablet
Heroin Price	$200 per gram
Marijuana Price	$20–$1,800 per ounce
Meth Price	$3–$500 per gram

Source: www.statisticbrain.com/largest-grug-seizures-inhistory.

As previously noted, a black market or underground economy is the market in which illegal goods are traded. Due to the nature of the goods traded, the market itself is forced to operate outside the formal economy, supported by the established state power. People engaged in the black market usually run their business hidden under a business front that is legal. Worldwide, the underground economy is estimated to have provided 1.8 billion jobs (www.statisticbrain). Arguments have been put forward in support of the shadow economy that it also has a positive impact on the legal economy and social wellbeing of humanity as it creates jobs that improve the livelihood of many. However, research has shown that the costs outweigh the benefits and therefore illicit trade remains detrimental to the economy. The African Forum and Network on Debt and Development (AFRODAD) (2014) approximates that between 2009 and 2012 cash-strapped Zimbabwe lost USD2.79 billion through illicit financial flows, which represents nearly half of the country's national budget of USD4 billion. If these funds could find their way to the national coffers it could fund half of the national budget and be redistributed to all the citizens of the country through infrastructural developments, investments, and even poverty alleviation programs.

The estimated annual costs and revenues generated by illicit networks and organised crime groups are as follows:

- Money laundering: USD1.3 trillion to USD3.3 trillion, between two per cent and five per cent of world GDP
- Bribery: significant portion of USD1 trillion
- Narcotics trafficking: USD750 billion to USD1 trillion
- Counterfeit and pirated products
- Environmental crime (illegal wildlife, toxic wasting): USD20 to USD40 billion
- Human trafficking: 20.9 million victims globally USD32 billion annually
- Credit card fraud: USD10 billion to USD12 billion (UNODC 2011).

It is also estimated that up to USD40 billion is lost annually through corruption in developing economies. Including money laundering, this figure increases to an astonishing USD3 trillion compared with a legitimate global trade figure of about USD10 trillion to USD12 trillion. Beyond the numbers, illicit trade and organised crime have also been identified as significant barriers to economic growth, individual prosperity and corporate profitability; they stifle legitimate markets, sabotage global supply chains, deplete natural resources and endanger market security.

In 2001, Collier, Hoeffler and Pattillo estimated that if illicit outflow of funds was not taking place, GDP per capita in Africa would have been approximately 16 per cent higher. The researchers further argued — in line with the arguments by Ndikumana and Boyce (2011) — that illicit financial flows are a constraint to poverty reduction in Africa. According to the 'World Trade Report' (2013), the toxic and corrosive nature of illicit trade harms economic growth and job creation, challenges the rule of law, robs governments of the much needed revenue and threatens human life and the quality of life and thus requires a strong internationally coordinated response. Table 3 estimates money laundered as a percentage of global GDP.

Table 3: Estimates of money laundered as a percentage of global GDP

IMF estimates of money laundered	Minimum	Maximum	Midpoint
IMF estimates of money laundered as a percentage of global GDP	2%	5%	3.5%
Estimates for 2005 in USD trillion	0.9	2.3	1.5
Estimates for 2009 in USD trillion	1.2	2.9	2

Source: World Bank, World Development Indicators 2010.

This serves to illustrate that illicit trade has a significant negative impact on economic growth – if between two per cent and five per cent of GDP is unaccounted for and finds its way to the shadow economy, economic development is stifled. The Global Financial Integrity (GFI) report also seeks to estimate the cost (financial and otherwise) of illicit trade:

- USD50 billion of tax revenue from cigarette smuggling
- Up to 96% of revenues from logging in Tanzania are lost to illegal logging (Tanzania Forest Conservation Group)

- Trade mis-invoicing accounts for up to USD737 billion in illicit financial flows from developing economies (Global Financial Integrity 2011)
- 700,000 people killed each year due to counterfeit medications
- Global fisheries underperform by USD50 billion annually because of illegal over-exploitation
- 20.9 million people in enforced labour in 2012 (International Labour Organisation 2012)
- Tens of thousands of African elephants killed in 2011 and 2012 (elephant trading information system).

2.4 The role of Customs in combating illicit trade

Modern Customs should not only collect revenue but should also play two other important national roles: expediting cross-border trade to promote economic development and preventing international trafficking in illicit goods. Customs administrations therefore play a vital role in the economic welfare of a country, and for that reason, dysfunctional customs administration can easily harm trade relations and curtail foreign investment, as customs revenue represents a substantial share of total tax collection. According to the World Bank (2003), the business community frequently perceives Customs as one of the most serious constraints to business investments. The IMF (2011) has indicated that a lack of political commitment, human resources, skills gaps and insufficient funds are obstacles to faster reformation. The Transparency International Global Barometer (2005) identifies Customs as the third most corrupt government agency after police and tax administration. Bribes and tips requested by customs officials to facilitate clearance of imports and exports flow become a cost to business which is later passed to the consumer through increased prices.

One method by which Customs can strengthen compliance and regulatory frameworks is through enforcement harmonisation. Cooperation is also of importance and should be enhanced with businesses and other market actors to enable targeted interventions on both the supply and demand sides of illicit trade. Customs officials, policymakers, other border agencies, researchers and the private sector need to work closely together. Greater cooperation between regional and international organisations could also make a difference. To optimise tax collection, governments need to be able to exercise effective control over the production and importation of products, especially over excisable goods with the aim to capture undeclared markets, leading to increases in tax collection. While non-declaration and mis-declaration lead to revenue loss, effectively combating such practices would lead to other benefits such as the elimination of unfair competition brought about by untaxed goods which flood the market.

Looking at the experiences of other countries to seek to draw lessons from them, we see that severe corruption has been a major problem in countries like Mozambique, Bolivia, Uganda and the Philippines, which motivated them to introduce customs reforms (World Bank 2005, p. 108). A study conducted in Mozambique by Van Dunem and Arndt (2006) found a positive relationship between high tax rates and underreporting of import values and evasion. Some countries simplified their procedures and created a system which allows fewer contacts between staff and traders, while others upgraded IT systems and introduced the customs information systems software, ASYCUDA, to improve service delivery, increase transparency and shorten customs clearance time. In their reforms, Uganda and Peru employed measures such as cooperation with other authorities, private entities and police, expanded audits and preventative inspections to increase enforcement. However, these were not very effective in Mozambique and Bolivia. Though these efforts may have reduced the clearance time, increased seizures (especially in Mozambique) and a decline in smuggling, corruption is still high (especially in developing countries), which compromises these efforts. The World Bank findings show that political support for customs reforms is essential, together with stable leadership. Financial support is also a very important ingredient in ensuring successful reform. Also, cooperation of customs staff, taxpayers and coordination with other tax agencies are critical for effective customs reform (World Bank 2005, p. 125).

3. Conclusions and recommendations

Findings show that the illegal economy accounts for between eight per cent and fifteen per cent of national GDP, distorting local economies, reducing legitimate business revenues and revenue collected through taxes. Illicit trade also undermines the social stability and socioeconomic welfare of communities, at the same time preventing the equitable sharing of public goods as revenue that could be used to develop and improve infrastructure. Table 4 summarises the illicit financial flows in developing countries between 2000 and 2009 and their percentage growth.

Table 4: Illicit financial flows from developing economies 2006 to 2009 (in million dollars)

	CED (change in external debt, balance of payments component)					
	2006	2007	2008	2009	Logarith growth (2000-2009)	% growth 2000-2009
Africa	19,417	42,219	38,909	40,220	26.33	3.37
Asia	31,946	27,825	49,288	163,970	2.99	232.67
Europe	136,458	242,142	287,259	206,113	31.24	-28.25
MENA	219,639	187,986	239,956	232,723	30.94	-3.01
Western hemisphere	48,696	106,362	51,752	88,686	11.15	0.37
All developing economies	**456,160**	**606,536**	**667,165**	**731,714**	**22.16**	**9.68**

	GER (gross excluding reversals, trade mispricing component)					
	2006	2007	2008	2009	Logarith growth (2000-2009)	% growth 2000-2009
Africa	17,886	23,236	24,876	18,767	34.88	24.56
Asia	346,223	391,472	445,820	447,008	15.46	0.27
Europe	15,990	8,975	16,164	13,458	10.07	-16.74
MENA	8,097	5,688	7,534	9,547	17.03	26.72
Western hemisphere	70,325	81,374	102,780	80,486	9.16	-21.69
All developing economies	458,524	510,747	597,177	569,268	14.51	-4.67

	Total CED+GER					
	2006	**2007**	**2008**	**2009**	**Logarith growth (2000-2009)**	**% growth 2000-2009**
Africa	37,304	65,455	63,785	58,988	27.7	-7.52
Asia	378,172	419,297	495,109	610,978	12.94	23.4
Europe	152,448	251,118	303,423	219,572	28.96	-27.63
MENA	227,737	193,674	247,490	242,270	30.21	-2.11
Western hemisphere	119,022	187,736	154,533	169,173	10.15	9.47
All developing economies	914,684	1,117,283	1,264,342	1,300,983	18.03	2.9
	49.9	54.3	52.8	56.2	Ave CED% (2000-2009)	45.3
	58.4	50.1	45.7		Ave CED% (2000-2009)	54.7

Source: Kar & LeBlanc 2013.

Four major costs have been identified: lost revenue; distortion of market prices; collapse of local industries leading to unemployment; and the social costs that include the health and safety of nationals being endangered, vital habitats and ecosystems being destroyed, and threats to the tourism industry. This is in line with the OECD'S 2011 *Future shocks report: improving risk governance*, which points out that practices such as duty evasion cause significant financial damage to the government's budget and the economic stability of compliant traders.

Methods of illicit trading or customs duty evasion that have been identified include outright avoidance of official customs control; under-declaration of goods; undervaluation of goods; misclassification of goods; and falsification of documents.

It is evident from the literature that illicit trade presents a clear threat to the economy, economic growth, sustainable development, social cohesion, security and stability. Identifying and quantifying the impacts of illicit trade on economic growth will help pinpoint the large scale disruptions to economic activity and identify tools to reinforce the most vulnerable points of entry to the illegal economy. The idea is to reduce incentives for communities to resort to illegal commercial activity, reduce organised crime, stabilise legitimate trade and markets and help promote above-board trade and economic growth. Loss of revenue and evasion of customs duties represent particular causes for concern for most economies, especially developing economies, due to leakages through smuggling of highly taxed goods such as tobacco. The ability to assess and effectively collect revenue legally due remains a high priority for Customs globally. The literature also points to several initiatives that may help to combat illicit trade, including:

- Exchange and joint analysis of statistics of general trends of the risks and seizure of illegal and undeclared goods
- Enhance cooperation between Customs and different players in the economy, including other law enforcement agencies, to help to better infiltrate and identify production and distribution networks for illegal and illicit trade

- Exchange of knowledge and experience by customs officials regionally and internationally
- Establish and designate as appropriate national coordination agencies or bodies and institutional infrastructure responsible for policy guidance, research and monitoring of efforts to prevent, combat and eradicate illicit trade
- Introduce modernised systems, improved risk management practices, and implement audits of the custodians of regulatory controls.

Studies into the factors that motivate people to engage in illicit trade, further research into the causal relationship between illicit trade and money laundering, and quantification of the causal relationship between illicit trade and impediments to economic growth would all help to identify potential solutions to the problem.

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