Urgent action is needed to mobilise a global alliance to tackle illicit trade. Unless co-ordinated and immediate action is taken, the global illicit economy could grow to be worth as much as a trillion dollars. Some kinds of illicit trade could double in the next few years, posing significant threats to national security and real dangers to legitimate businesses and consumers.

Experts from the private and public sectors converged in Abu Dhabi at The Economist Events’ Global Illicit Trade Summit on October 30th 2018 to discuss the growing illegal trade in consumer goods. Despite a clear business case for bringing the fight into the mainstream, progress is stalling. The event took place against a backdrop of fraying multilateral co-operation and a growing sense that risks creating more opportunities for illicit trade. Experts urged more transparency among governments, and emphasised the importance of the private sector in the fight against illicit trade.

The introduction of VAT and the implementation of “sin taxes” were flagged as gateways for illicit trade around the world. Although countries need to diversify their income bases, it was noted that criminals can be quick to take advantage of changing market conditions and disparities in taxation between countries.

There is a better way: governments should establish appropriate long-term and balanced tax policies, and consult with legitimate businesses in the process. Industry can offer crucial insights into how taxation can affect the marketplace, as well as how government policy and effective law enforcement can combat illegal trade while raising government revenue, said Brendan LeMoult, AIT and fiscal affairs vice-president at JTI.

Abdelhak Senhadji, deputy director, fiscal affairs at the International Monetary Fund, also cautioned against simply increasing taxation, noting that with high prices “comes corruption and illicit trade.”. The opening panel at the summit concluded that these transitions must therefore be carefully managed in order to reduce vulnerability to illicit activities.

In a similar vein, free-trade zones (FTZs) were described as “magic black boxes”. While FTZs can be of huge benefit to a country, they can also be blind spots for regulators and law-enforcement agencies. Illicit goods are largely re-shipped through FTZs without entering the local economy. Governments tend to absolve themselves of responsibility for oversight. Incentive schemes to encourage FTZ operators to work more effectively with governments and law-enforcement agencies should be prioritised.

Michael Morantz, a policy analyst for illicit and counterfeit trade with the Organisation for Economic Co-operation and Development, noted that FTZs will continue to facilitate illicit global trade unless more stringent and uniform measures are introduced. “Free [trade] zones are not a cause of illicit trade–but they are found to be an issue,” he said. Nevertheless, “they are a great way of boosting jobs, and increasing GDP and employment numbers.”

Panelists highlighted the need for more education among consumers about both the harmful nature of fake products and the wider impacts of intellectual-property violations. As digital sales of counterfeits exceed their physical equivalents worldwide, the responsibility is increasingly on digital intermediaries to work with brands in order to protect consumers.

Illicit trade has become a vital source of funding for terrorist organisations in the post-9/11 era. World leaders need to work together to provide alternative incentives to citizens whose livelihoods depend on illegal activities that in turn prolong conflicts. Cutting off these sources of funding could lessen the instability that plagues the Middle East.

 Rapid advances in technology do at least provide an increasingly effective toolkit for companies looking to safeguard their entities from cyber-criminals. Companies need to invest significantly in cyber-resiliency to prepare for, and recover rapidly from, growing threats.

John Mair, director, head of project integrity at the European Bank for Reconstruction and Development, noted that a repurposed effort needs to be made to tackle the demand side of the problem, rather than the current “reactive” efforts. He also urged stakeholders not to look backwards but to take positive steps, adding that a logo–along the lines of the universal recycling symbol–and an internationally recognised trademark would be beneficial in tackling illicit trade.

For his part, Shishir Priyadarshi, director of the development division at the World Trade Organisation (WTO), admitted that the WTO could be doing more in the fight against global illicit trade, but he added that it was time for an international agency to lead co-ordinated action.

Francesco Deangelis, a criminal intelligence officer for INTERPOL, called for a “top-down, bottom-up” approach, and said technological advances are friends in the fight against international criminal networks fuelling the black market.

Experts concluded the day’s discussions by agreeing that more cross-border solutions and cross-industry partnerships are needed to target the entire illicit-trade ecosystem, including the enablers and facilitators who help to divert, smuggle and traffic counterfeit and pirated goods.

(This summary was written by The Economist Events’ editorial staff).