



Illicit Trade in Times of Coronavirus

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Introduction

At the beginning of 2020, global trade was disrupted by the emergence of Coronavirus (COVID-19), a pandemic that devastated normal life in most parts of the world. Millions of people fell ill, hundreds of thousands died and the attempts to curb the spread of the disease had significant detrimental effects on the global economy. The pandemic affected all regions of the world and until a vaccine becomes available, cases are expected to continue growing.

Governments are responding to the pandemic with a comprehensive set of measures, including travel restrictions, social distancing measures, strict hygiene protocols and direct interventions in national economies. In some countries, governments are controlling the supply and sale of certain goods in the name of strategically managing the volume and distribution of essential items, for example, personal protective equipment (PPE) or reducing operations associated with unnecessary items, such as alcoholic drinks and tobacco. In total, the pandemic and the measures taken to prevent it have seriously disrupted global supply chains and economic activity.

While some effects of COVID-19 are similar across legal and illicit trade, for example, supply chain disruptions, others are promoting the growth of illicit trade in the broader global economy, causing governments and businesses to lose billions in revenue. In certain industries, transnational organised crime networks are taking advantage of ineffective regulatory frameworks, supply shortages, changing consumer preferences and price gaps to expand their illicit footprint.

This white paper raises awareness about the growing threat that illicit trade poses to governments and business around the world during the COVID-19 era and draws attention of the public and private organisations implementing strategies to fight this phenomenon.

Key definitions

While illicit trade is a global issue that affects many industries, sectors and economies, its definition is not consistent or standardised. Different terms, such as informal trade, unrecorded trade, non-commercial and illegal trade are used. Given the wide variety of illicitly traded goods sold commercially, for this paper the following are considered:

Definitions of Illicit Activity Type Categories

Category	Concept	Common Industries / Sectors
Counterfeit: Falsification / tampering / refill	Fraudulent imitations of: legitimate products (piracy), illicit industrial manufacturing, empty packages of legitimate products refilled with other materials. Medicines that do not contain sufficient active ingredient for its intended function	Pharmaceuticals, apparel, beauty and personal care products, alcoholic drinks, luxury items, oils, lubricants, and fuel
Smuggling / contraband	Products with original branding that have been illegally imported into a country and sold evading taxes and tariffs	Mostly premium brands of alcoholic drinks, tobacco, beauty and personal care products, apparel, consumer electronics, pharmaceutical medicines, and wildlife
Tax leakage	Legally produced goods on which the required taxes were not paid in the country of production	Tobacco, alcoholic drinks and highly taxed goods
Artisanal: homemade products	Products made outside the regulatory framework following artisanal practices. In most cases these products are illicit if made for commercial purposes	Alcoholic drinks, pharmaceutical medicines, sanitising products, etc.
Resell of expired goods	Trade of expired goods, usually stolen	Pharmaceutical medicines (prescription and over the counter (OTC)), packaged food, beauty and personal care and home care products

Illicit trade landscape

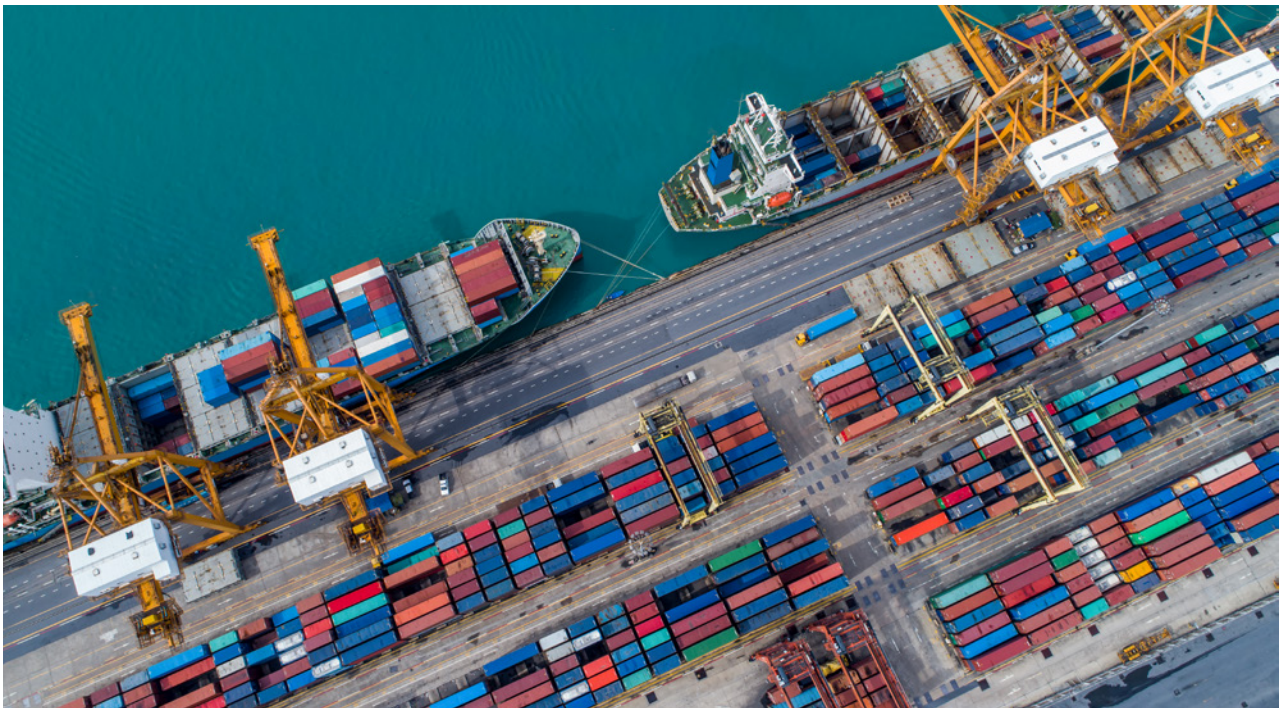
Global illicit trade continues today despite best efforts to contain it by governments, businesses and international organisations. The economic impact of these illegal acts is immense. The World Economic Forum (WEF) estimates that over US\$2.2 trillion (3% of global GDP) will be lost due to illicit trade leakages in 2020.

The global ramifications of COVID-19 have led to deep economic recessions, reduced government revenues, increased business losses, increased unemployment and reduced consumer incomes and expenditure across the globe. Supply and demand disruptions, restricted travel and international border closures have forced illicit organised criminals to adapt their networks accordingly.

The COVID-19 pandemic has already caused an increase in illicit trade activities across a multitude of industries. Industries impacted include pharmaceuticals, tobacco, alcoholic drinks, PPE products, home and personal sanitising products, luxury goods, beauty and personal care products. Other flows of illicit trade have also been boosted, such as human trafficking and the illicit drugs trade.

In the medium to long term, government resources will continue to be stretched to curb the pandemic. Governments will need to support economic recovery and growth, contend with overburdened health care systems as the virus continues to spread and deal with social issues as people go back to normal routines. Business recovery and consumer lifestyles returning back to normal will be slow. Illicit players will continue to find ways to continue growing profits, penetrating new distribution channels and innovating production and supply chains.

Drivers and Enablers During Pandemic Times



Despite differences across industries and countries, there is a common set of drivers of illicit trade worldwide. These can be organised into three main topics: consumers, businesses and regulation. They are pushed and incentivised by different needs and preconditions within illicit trade.

Overall, consumers are driven to buying in the illicit market because they are seeking goods that fit their needs. They might be unknowingly purchasing contraband or any other type of illicit goods, or knowingly seeking status and recognition by buying fake well-known brands at cheaper prices. This hurts businesses as illicit players seek to evade regulation, taxes, access liquidity and overcome supply chain disruptions. Meanwhile, regulation is adapted to inhibit illicit trade in given local conditions.

COVID-19 is boosting all of these drivers, in addition to those caused by the expected global economic recession and the government's lack of enforcement capacity. The table below shows the main drivers of illicit trade during pandemic times:

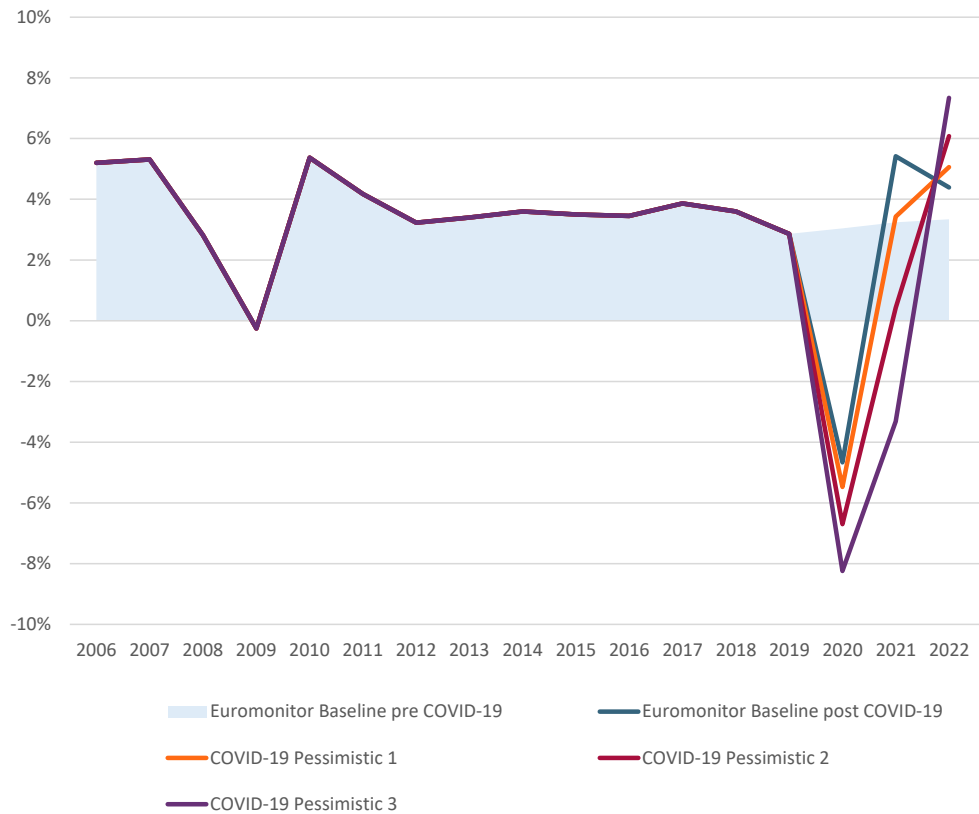
Main Drivers of Illicit Trade

Consumer Drivers	Business Drivers	Regulatory Drivers
General Drivers <ul style="list-style-type: none"> • Search for lower priced products • Access to premium brands (aspirational products) • Limited knowledge about illicit products and how to identify them • Social acceptance of illicit trade 	General Drivers <ul style="list-style-type: none"> • Price gap between licit and illicit products • High levels of excise taxes • Availability of ingredients and packaging materials for counterfeit • Overregulation over supply and demand • Limited legal distribution methods and capacities 	General Drivers <ul style="list-style-type: none"> • Ineffective and deficient enforcement methods • Inadequate sanctions to criminal behaviour causing little deterrent effects • Bans on legal goods • State rule being challenged by organised crime
COVID-19 Specific Drivers <ul style="list-style-type: none"> • Fear of scarcity of goods (Medicine, PPE, sanitisers, etc.) • Distrust of information available from reliable sources • Increased economic pressures from loss of income • Relaxed purchase decision process (need to buy at any risk) 	COVID-19 Specific Drivers <ul style="list-style-type: none"> • Loss of revenues due to overall reduced sales • Limited access to raw materials • Dependence on organised crime as a lender of last resort • Decreased logistical capacity as flights and ocean freight are halted 	COVID-19 Specific Drivers <ul style="list-style-type: none"> • Weak government response reducing state legitimacy • Decreased capacity for enforcement as state resources are stretched thin during pandemic times • Unintended effects of measures implemented to control the pandemic (bans on supply of certain products)

These different drivers are strongly interrelated in the ways they affect illicit trade, making it impossible to focus on individual drivers being the primary source. All the drivers interact with one another to encourage or inhibit trade. For example, a selling price increase due to a change in taxation might push consumers seeking lower prices into buying illicit goods; this hurts legitimate businesses and governments because they lose revenue.

Another key element to consider in a COVID-19 era, is the macroeconomic environment and how it encourages, or discourages, illicit consumption. For instance, the worldwide hit from this coming recession will be severe, according to Euromonitor International's macro-economic forecasts. Global GDP was estimated to increase by 3.04% in 2020 prior to the COVID-19 pandemic, instead it is now expected to decline between -5% and -8%.

Global Real GDP Growth, Baseline and Scenarios 2006 – 2022



Source: Euromonitor International Macro Model (updated 4 May 2020)

Note: Data from 2020 are forecasts

Countries with higher economic and income inequalities coupled with lower consumer disposable income are expected to consume more illicit goods. For example, countries with high GINI coefficients, a measure of high economic inequality, tend to have larger informal markets as they are the most cost-effective channels for many segments of the population to attain goods.

Latin America and Sub-Saharan Africa have the highest percentage of GDP tied to the informal sector at 30% each,¹ according to the International Monetary Fund (IMF). These regions have the highest income inequalities and least disposable income, as described by the World Bank². These inequalities are being increasingly highlighted by the COVID-19 pandemic³ and are only expected to increase illicit trade.

Likewise, businesses operating in countries where access to financial aid in the form of grants or low-cost loans is limited, could be driven to illicit methods to finance payrolls and inventories. Countries with a lax law enforcement and weaker regulatory frameworks could serve as launching points for illicit industries.

Consumer preferences

Increased demand of illicit goods due to market conditions

Within consumer-based drivers, the overarching theme that emerges during COVID-19 is the need for affordable good quality products; something that holds equal value to consumer actions and behaviour in legal and illicit markets. Brand selection, purchase frequency and price tolerance are still the main drivers of purchasing decisions. However, the opportunity to buy goods far below market price, or goods banned by the governing body, sometimes pushes consumer towards illicit ways to attain goods, maybe without their knowledge.

In normal economic times, illicit trade is common across a wide variety of goods, from premium-luxury goods that are either smuggled or counterfeited to basic needs like apparel, packaged foods and medicines. As a result of the pandemic, consumers are prioritising spending on essential goods such as food, housing, and medicine. Additionally, the scarcity of goods through formal and legal channels is favouring social acceptance for purchasing illicit goods, due to the “need to survive” mantra found during the pandemic.

These new dynamics affected the illicit market through the following:

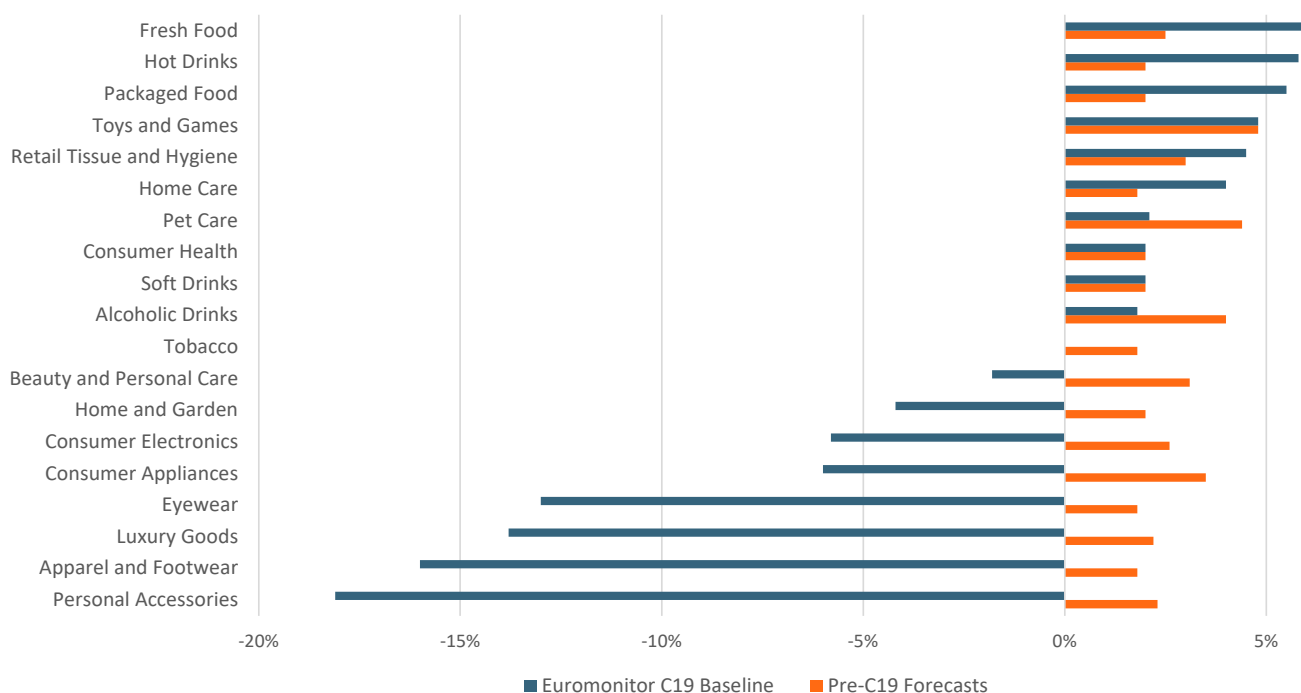
- Counterfeit goods continue to be preferred among consumers, given their lower price points in most markets and the decline in government enforcement
- Prices of smuggled goods deemed essential in the fight against COVID-19, such as PPE and medicine, rose substantially. This is due to the excess demand and extensive government regulation to prevent scarcity for essential workers
- Higher demand for illicit goods sold via e-commerce channels rather than traditional vendors, as counterfeiters and smugglers pivot to where consumers are shopping

An example of how illicit players are taking advantage of the increased demand of leading, high-performance brands, is the case of PPE needed to fight COVID-19. As consumers exponentially demand face masks with antiviral N95 certifications, counterfeiters switched production to supply this demand all over the world. Countries like the United States⁴, France⁵, China⁶, and Peru⁷ confiscated millions of masks that are falsified within their designation of NIOSH N95 protective quality. A leading manufacturer of safety equipment sued multiple sellers on popular online marketplaces in the United States as these sellers were caught selling falsified products with the leading players brand attached in hopes of making a profit⁸.

These drivers will be particularly pronounced within the industries that are most affected by the COVID-19 pandemic. Using Euromonitor International's COVID-19 Scenario Model, we estimate that globally the personal accessories, apparel and footwear, luxury goods, eyewear, and consumer appliances industries will be particularly negatively hit, based on global retail sales forecasted growth rates.

World COVID-19 Forecast Scenario by Industry

Industry Level Retail Sales 2019–2020, % Growth, 2019 Constant Prices, Fixed Year Exchange Rate



Source: Euromonitor International

Businesses should be ready to combat illicit trade by better understanding the market dynamics in their industries and how consumers are adapting or changing their purchasing decisions.

Fake news, inconsistent information and misleading sources create opportunities for illicit players

Illicit markets are aided by misinformation on what is considered healthy, good, or beneficial for the consumer, and this is particularly pronounced during the COVID-19 pandemic. The general lack of knowledge of the virus — its symptoms, how it is transmitted and medicine and practices that can cure the disease as stop its spread — allow illicit players to take advantage and increase sales with faulty products and storefronts.

For example, COVID-19 has created a surge in demand for internet-based pharmaceutical medicine in North America and Europe, as consumers stock up on medicines that are rumoured to combat and prevent COVID-19⁹. Illicit internet pharmacy networks managed by criminal players have capitalised on selling smuggled and counterfeit medicine as well as phishing for consumers' personal information. In May 2020, Interpol seized over four million units of illicit medical equipment and shut down over 2,500 online pharmacies.¹⁰

Most new pharmacy websites that sprang up during the pandemic have ties to known criminal networks according to the National Association of Boards of Pharmacy of the United States. Many are clustered around web domains that refuse to remove malicious websites, so-called "safe haven registrars" which allow domain names to be anonymised to inhibit law enforcement investigations. These fake websites generally target older generations that are more vulnerable to phishing attacks and liable to fall for disinformation tactics, such as fake death rates, symptom notices and benefits enrolment. They rely on news reports touting a drug shown to have "possible benefits" to fight COVID-19. These sites use regulatory authorities' seals and logos across the world to market themselves as official regulated pharmacies.

Lockdowns everywhere have pushed consumers to seek goods in online channels and social media platforms

Globally, the shift to e-commerce over the past decade has been immense. According to Euromonitor International, global e-commerce sales grew from US\$377 billion in 2010 to over US\$2 trillion in 2020, a 430% increase in this period. E-commerce is projected to accelerate in coming years as sales are expected to surpass US\$4 trillion by 2024.

This growth trend in e-commerce is not just reserved for legal goods. Before the pandemic, selling illicit goods online was a growing and concerning trend for business around the world. For instance, the counterfeit market in the United States has increased 10 times compared to the year 2000, according to Department of Homeland Security figures. The majority of counterfeit goods are being sold online rather than in street markets, as consumers move towards e-commerce. The International Chamber of Commerce predicts that global counterfeit trade will reach US\$4 trillion by 2022, primarily fuelled by e-commerce¹¹.

E-commerce illicit trade is primarily done via third-party sellers within the biggest online marketplaces accessible to everyone. Additionally, social media platforms, such as Facebook, Instagram, and instant messaging apps like WhatsApp and Telegram have been used by illicit players to reach consumers and sell products outside of legal frameworks and regulation. These trends have only been strengthened by COVID-19. Since the beginning of the pandemic in January 2020, online counterfeited goods have jumped nearly 40% in comparison to 2019 in the United States, as counterfeiters flock to where consumers are increasingly shopping: online¹².

In the longer term, it is expected that consumer trends towards e-commerce will not change due to COVID-19, rather, the already rapid migration to e-commerce from brick and mortar will only accelerate. As consumers' income declines due to the coming recession, more are expected to use the illicit market to attend to their needs and look for cheaper options online.

To inhibit consumer spending in illicit goods, governments and the private sector must ensure that prices remain affordable, legal supply of goods is not disrupted, and consumers are aware of the threats posed by illicit goods.

One effective tool to monitor e-commerce counterfeit products is through price tracking of goods within websites. For example, as part of client research projects, Euromonitor International identified at the stock keeping unit (sku) level, counterfeit products sold through online marketplaces and websites by tracking selling prices, package information and country of origin. Plus, with Euromonitor International's new e-commerce pricing tracking tool, [Via](#), we can understand when players are entering the market, how they interact with consumers and what industries they target most often.

Using these solutions, legitimate businesses are a step closer to inhibiting losses and reducing illicit consumption at its source.

Business conditions

There are three main drivers of illicit trade during pandemic times:

- Limited access to finance means businesses need to cover costs and inventory
- The rise of prices of goods sold by businesses as a result of increased excise taxes undertaken by government
- The rise of legal prices due to the shortage of raw materials and complications resulting from disrupted sourcing and trade

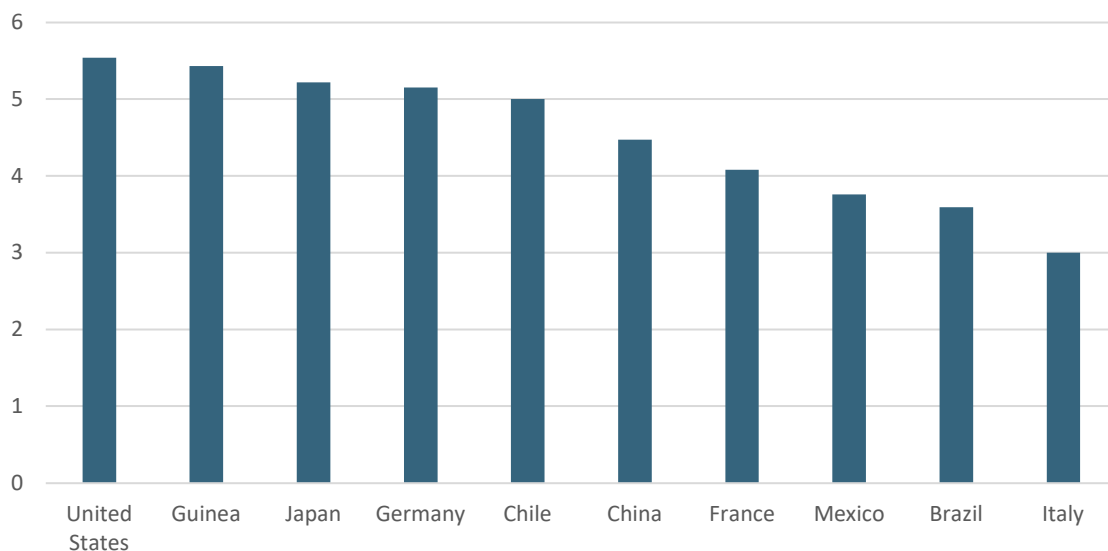
Illicit players as problem solvers and good Samaritans

Limited or lack of access to capital is primarily a supply-side issue that occurs when financing for business costs is unavailable via legal means, either through the government or through the private sector. This makes business owners vulnerable to illicit players, like organised crime mafias, gangs, or terrorist organizations. These players may offer their capital to back businesses in exchange for a staging ground to sell illicit goods, an agreement to launder money or a location to coordinate and commit criminal activity.

The effect COVID-19 has on access to finance can be seen by tracking the effect organized crime has on the countries which the World Bank has identified as having low access to loans¹³ for businesses. COVID-19 has only exacerbated this financing gap that occurs in many countries across the world.

In Italy, one of the worst scorers in the World Bank's access to loan measure, the Mafia has taken advantage of the fact that Italian businesses are struggling by offering to purchase or loan money to businesses in exchange for future privileges¹⁴. Within Mexico, another of the lowest scoring countries in ease of loan access, the drug cartels are seizing the opportunity to launder their money with small needy businesses that have no capital and are at the brink of economic insolvency¹⁵.

World Bank Ease of Access to Loans Selected Countries (7 is Best-1 is Worst)



Source: Euromonitor International

This liquidity crisis will only get worse as the economic crisis caused by COVID-19 continues, forcing more legitimate businesses to fall into the illicit market.

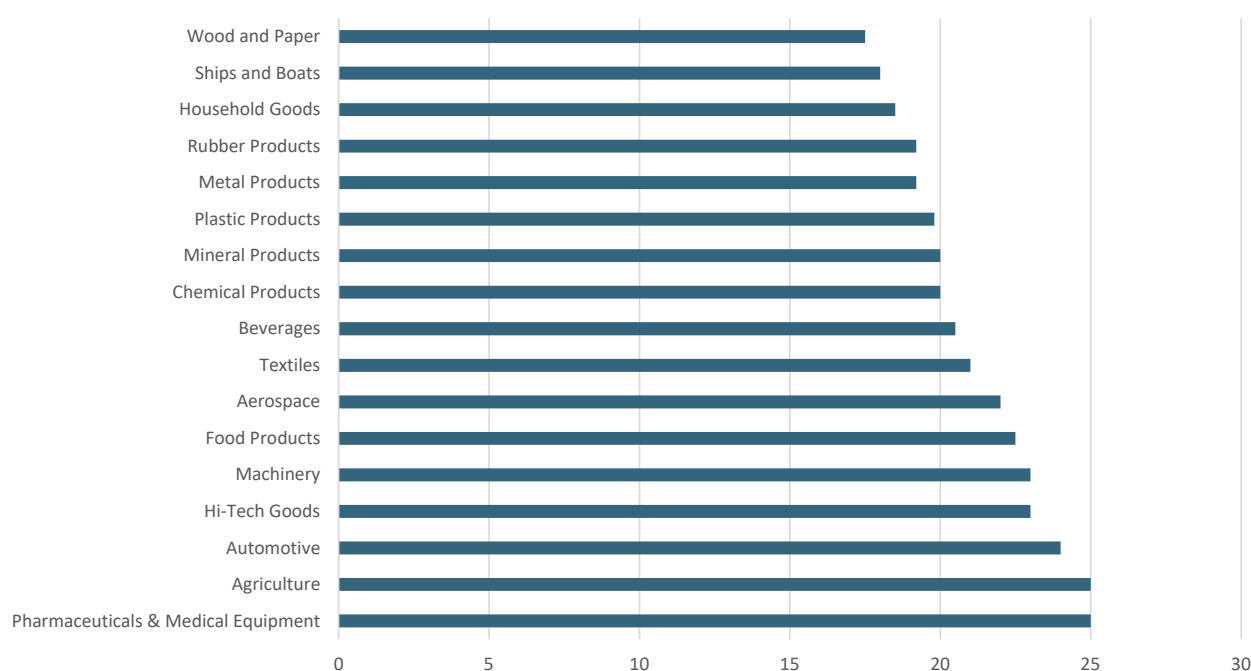
Disruptions across the supply chain of legitimate business have been an opportunity for illicit players

Another key driver that has boosted the size of the illicit market during COVID-19 is inefficient sourcing of raw materials and trade. In normal times this means trade disruptions because of goods being stolen, borders being closed, or supply sources running out. During the pandemic the main source of material disruption has been the closed borders and the lockdown restrictions put in place by governments.

According to our in-house experts, when China effectively closed to the world during the early stages of the pandemic, supply chains in household goods, hi-tech goods and textiles were essentially broken because at least 40% of the global production of these goods occurs in China. Closed borders have made scarcity of goods greater than ever before, which in turn has simultaneously increased the danger in smuggling while also increasing the possible rewards¹⁶ for illicit players.

Using Euromonitor International's Supply Chain Sensitivity Index we can verify which industries are most at risk to disruptions from closed borders and as such, more vulnerable to illicit players smuggling and counterfeiting their goods; for example, pharmaceuticals and medical equipment, agriculture, automotive and hi-tech goods.

Supply Chain Sensitivity Index in Selected Manufacturing Industries 2019



Source: Euromonitor International

Also, supply chains disruptions do not just occur because of closed borders. Factory closures, as a result of lockdown, have increased the number of consumers and businesses using illicit channels to try and buy and provide goods that are no longer possible to acquire via formal channels.

In Argentina, for example, illicit trade from Paraguay has strongly increased because of tobacco factory closures during COVID-19¹⁷. Customs agencies on the border with Paraguay sounded the alarm. They saw an exponential increase in the amount of illicit cigarette smuggling into Argentina¹⁸ as the economic and medical crisis pushed Argentine smokers into the cheaper illicit market. In total over 44,000 packets were seized by the end of May as a result of the increase of smuggled cigarettes in Argentina.



Illicit players are the first to circumvent and adapt to supply chain cuts. Even though smuggling operations have been disrupted due to closed borders and decreased shipping across air and sea routes¹⁹, players are pivoting towards land routes to supply consumers. This trend of moving towards land routes is also happening within human trafficking operations worldwide²⁰ and counterfeit operations in COVID-19 impacted products such as medicine and PPE.

An example of illicit networks adapting swiftly is in the illegal human trafficking trade. According to ENACT Africa²¹ transnational organised networks in East Africa have moved from sea or air options to land modes of transport to traffic migrants. This is due to increased security at closed national borders and restricted movement lockdown measures enacted to combat COVID-19. This is one of the fastest examples of logistics shifting within illicit trade to circumvent COVID-19 related measures.

The outlook is not optimistic as business conditions will remain uncertain

As the crisis worsens, more businesses will need liquidity and continue being vulnerable to illicit players' funding unless governments implement strategies to allow an economic recovery, such as the Paycheck Protection Program loans in the United States²² and the business subsidies enacted in Canada²³ and in Germany²⁴. Such fiscal stimuli are needed to give struggling enterprise a lifeline.

Another possible driver in illicit trade is the authorisation of extra excise taxes as cash strapped governments try to balance fiscal budgets. The enactment of these policies should be closely studied to measure the effect the increase in prices by excise taxes could have. Consumers could be pushed into seeking illicit products as the price gap between legal and illicit goods widens.

This, coupled with supply chain shortages caused by factories locking down and borders being shut, means that business conditions driving illicit trade will only be stronger as long as the crisis remains.

Regulatory framework

Finding the right regulatory balance between public health measures and economic recovery is a challenge for governments across the world. Also, measures implemented to control the pandemic have had an unintended negative impact on business conditions, which have boosted illicit trade.

Regulation has two main drivers of illicit trade: regulatory overreach and inadequate enforcement capacity. Regulatory overreach happens when a government's capacity to place bans or excess regulation on goods for sale in the legal space pushes consumers into the illicit market. Inadequate enforcement capacity refers to weak government capacity which leads to deficient enforcement, inadequate sanctions on criminal activity and challenges to governance from organised crime.

Weak enforcement has only been aggravated during COVID-19 times

The ability of regulatory and government organisations to enforce the law and execute the will of the state can be measured using the Corruption Perception Index score as it captures the peoples' belief that law enforcement is reliable and not prone to corruption.

Countries that score low within policing and enforcement, are amongst the ones which also have the highest rate of illicit activity be it corruption, trafficking, counterfeiting or money laundering. For example, Venezuela, the country with the second lowest corruption score in the world (one of the most corrupt states) had a score of 16 out of 100 in 2019²⁵. We expect these deficiencies to be highlighted even more as a result of COVID-19 as government's capacity is challenged by decreased economic activity, social distancing measures enforcement and increased health system expenses diverting resources away from law enforcement entities.

Within the weakest governments, institutions are not just struggling to enforce the law, but also the very semblance of society based on the rule of law. These governments are increasingly in competition with organised crime to be the only provider of law, order, and security. This conflict of legitimacy has been exacerbated by COVID-19.

For example, in Latin American countries, organized crime is taking advantage of an already weak government in areas of Colombia, Mexico, and Central America, to be the de-facto source of rule of law and security²⁶. Gangs and terrorist organizations, such as MS-13 in El Salvador²⁷, the ELN in Colombia²⁸ and the Sinaloa Cartel in Mexico²⁹, are using the COVID-19 pandemic to impose lockdowns, martial laws and are forcibly taking over assets for illicit activity.

In general, criminal actors are using the lack of police capacity and enforcement resources to strengthen their criminal networks and increase their profits. For instance, illegal logging has been increasing in Kenya³⁰, Brazil³¹ and Tunisia³² because of a lack of enforcement due to COVID-19. Illegal mining has increased within Mozambique, Brazil, Bolivia and the Congo³³ as police shift resources elsewhere. These illicit activities are only expected to increase as the pandemic continues without a cure.

Restrictive measures are favouring illicit trade

Unintended, but negative consequences have been seen in countries where governments have implemented, and enforced policies related to:

- Restrictive access to raw materials
- Temporary ban of legal goods being sold
- Control over which channels products are sold in
- Higher excise taxes on goods

As they have a direct impact on selling prices of legitimate goods, these actions incentivise consumers to seek lower priced goods within the illicit market, where options are readily available at large discounts below market price due to tax and regulatory evasion.

Alcoholic drinks and tobacco have seen massive disruptions and migrations towards illicit trade when governments intervene to fight the pandemic. They are two industries with the largest distortions caused by excise taxes, artificial channelling and increases in the price of raw materials.

Within alcoholic drinks, the governments of Panama, Sri Lanka, and South Africa implemented bans as a method to fight COVID-19. Of all these bans, South Africa has had the harshest repercussions with over 20 million bottles of beer wasted during May, more than 80 wineries to shut down, 300 alcoholic drinks producers to close their doors and over 14,000 jobs lost³⁴. As a result of this ban, illicit brewing and fermentation increased as South Africans who had lost their jobs turned to providing illicit alcoholic drinks. Smuggling and counterfeiting of spirits³⁵ also increased during the lockdown.

In Panama, a total ban had been lifted in favour of allowing consumers to purchase one six pack of beer and one bottle of wine per client depending on the last digit of their national ID³⁶. Illicit importations rose and over 600 cases³⁷ of differing alcoholic drinks were seized by Panamanian authorities after being smuggled in from Costa Rica in April.

In Sri Lanka, local police reported over 18,000 instances of illicit alcoholic drinks production³⁸ since the ban took place in late March. Sri Lankans have increasingly resorted to moonshine and bathtub fermentation to create alcoholic drinks for personal use and sale to circumvent bans placed by the government. Since the ban took place, the government estimates it is losing some 500m Sri Lankan rupees (US\$2.6 million) a day in forgone tax and has asked the telecoms regulator to find some way to stem the sharing of recipes on social media to stop production within homes.

Within tobacco, illicit cigarette use has increased as a result of COVID-19 policy in Malaysia, South Africa, and Argentina. In Malaysia and South Africa, governments placed an outright ban on the sale and use of tobacco products to curb use during the COVID-19 pandemic. In South Africa, the price of a pack of cigarettes has reportedly tripled³⁹ as a result of the ban implemented by the government and has already cost over R300 million (US\$16 million) in lost taxes, according to South African Revenue Service (SARS)⁴⁰.

Another example of restrictive regulations driving illicit trade, was seen within the PPE supplies seized by governments of some countries to be distributed in more equitable manners. In France, where the resale of masks was outlawed, the government captured over 500,000 masks while dismantling smuggling rings valued at over EUR30 million Euros in April alone⁴¹. In Japan, mask reselling became such an issue that a five year prison sentence is in place if convicted⁴². The increase in the PPE illicit market will only continue if governments persist to outlaw reselling practices amongst a shortage of supplies.

Unfortunately, is expected that these challenges will only become stronger as the pandemic continues. As the crisis worsens governments will be increasingly stretched thin within their enforcement capacity as authorities not only are tasked with enforcing lockdown but also keeping the peace as social unrest flares up as a result of the economic slowdown bringing systemic inequalities to the foreground around the world.

COVID-19 will continue to push the limits of regulatory bodies until the pandemic finally subsides once a vaccine is available worldwide.

What Needs to Be Done?

The pandemic has already had far reaching consequences on society, governments, and businesses, leaving profound effects for generations to come. An increase in illicit trade activities has been experienced in developing and developed countries across many industries, driven by conditions that have been boosted by the pandemic effects.

Recovery of this global recession still not clear and is dependent on how long the pandemic last. A 'new normal' way of life, travel and living will evolve over the medium to long term. Businesses need to re-learn their own industry dynamics, consumer behaviour and preferences, market conditions and competition landscape. All strategies need to be re-assessed, re-aligned and re-shaped.

Illicit trade can no longer be considered of less priority, a shadow economy that co-exists without causing major disruptions to legitimate business. The uncertain future scenario demands immediate and effective action to avoid further gains from illicit players, as they continue to leverage favourable current conditions.

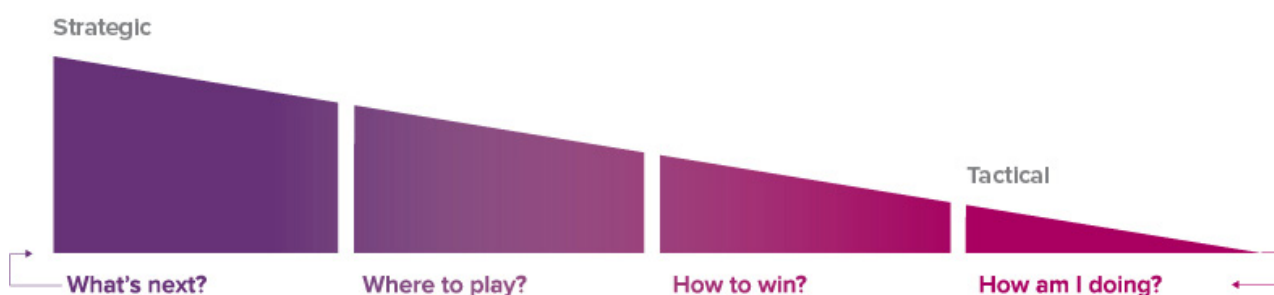
Private and public partnership dialogue on illicit trade among all relevant stakeholders needs to continue, as illicit trade matters to all. Governments resources and actions will need to be finely balanced in dealing with COVID-19 implications and paying attention to control illicit trade activities. Governments globally will still need to be aware of the negative effects of the virus and illicit trade, as they are tightly intertwined.

Businesses and private organisations need to understand the new reality of illicit trade in their own industries, its dynamics and reorganised supply chains to maximise limited resources to mitigate this phenomenon. Also, more than ever, is important for private institutions to partner with governments to inform and define the best course of action to tackle illicit trade.

Further research on illicit trade and the impact of COVID-19 is required to understand the severity on trade and legal markets. Ongoing consumer education and creating awareness of the negative effects of illicit trade remains a vital action, as is sharing knowledge and implications amongst global organisations and society in general.

How Can Euromonitor Consulting Help?

Euromonitor Consulting provides analysis of illicit trade issues and help identify effective strategies to mitigate them through custom research projects. We have extensive experience partnering with clients to explore illicit markets in more than 45 countries across Latin America, Africa, Asia and Eastern Europe, providing support at each stage of the process — from a holistic industry analysis to more tactical needs to improve mitigation strategies.



Industry Impact Analysis

- Establish the future of the illicit segment in a particular industry
- Ascertain opportunities and threats to business from illicit trade

Sizing and Regulatory Analysis

- Determine the size and growth of the illicit segment in local markets
- Understand the current regulatory framework in place, that enables illicit trade

Mitigation Strategies

- Understand the structure of the illicit market for addressing
- Identify the drivers and enablers of the illicit market to mitigate
- Identify the main pain points in the supply chain that gives rise to illicit trade

Tracking Effectiveness

- Assess how taxation or regulation changes have impacted the illicit market
- Evaluate the effectiveness of consumer awareness campaigns or other strategies conducted

From our global perspective, here are some of the key questions business and governments around the world need to answer to define effective next steps and strategies to mitigate illicit trade during and post COVID-19 times.

‘New normal’ impacts in the short-medium term

- What is the size and composition of the illicit market during COVID-19?
- Which local or regional drivers of illicit trade have been accentuated due to new business dynamics?
- To which extent have regulation changes — from lockdowns and bans — triggered illicit trade?
- Have production hubs of illicit products moved closer to consumption markets? What immediate impact this has had on local supply chains, government tax collection and social instability?
- Are consumers more flexible in their purchasing decisions leaning towards illicit goods?
- Who are the main winners and losers? Which industries have been impacted the most due to increased illicit trade?

Future long-term outlook

- What is the future state of illicit trade?
- As illicit supply chains adapt to the new regulations and restrictions, what can be expected in the future?
- Who are the new key players in the supply chain?
- How will businesses need to regroup to mitigate increased illicit trade in a post COVID-19 world?
- Which consumer behaviours and needs will persist post COVID-19?
- What successful strategies are required considering the ‘new normal’?

Our research capabilities, global coverage and extensive experience across industries helps our clients find answers to these main questions, leveraging our research methodology and framework, which has become the global standard.

Our research analysts and analytics teams continue to assess the short- and long-term effects of COVID-19 in legitimate business, providing a great starting point to draw correlations with illicit trade.

About the Authors



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David Bahamon joined Euromonitor's Chicago office as an Associate Consultant in November of 2018. Currently a Consultant, David's focus is managing projects within the Latin America region in Euromonitor Consulting.

David is well versed in projects that involve illicit trading activities, market analysis, customer analytics, and B2B and B2G segments. David has worked and managed multi-country studies detailing market intelligence and strategy within the Medical Devices, Packaged Food, Alcoholic Drinks, Tobacco, Tissue and Hygiene, Logistics, Home Goods and Agricultural markets across Latin America.

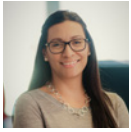


Quinton Walker

Senior Consultant
Euromonitor International

Quinton Walker joined Euromonitor's Cape Town, South Africa office when the consulting was first established in the beginning of 2012. Promoted to Senior Consultant in 2019.

Quinton is well versed with projects that involve illicit trading activities, financial risk analysis, market analysis, product entry, customer analytics, market sizing as well as competitor analysis. Quinton has worked on projects on multi-country across industries such as Financial Services, Luxury Goods, Retailing, Packaged Food, Alcoholic Drinks, Tobacco, Beauty and Personal Care, Consumer Electronics among many others.



Lourdes Chavarria

Head of Consulting — Latin America
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Lourdes Chavarria is the Head of Consulting for Latin America and leads the Illicit Trade practice. She began her career at Euromonitor in 2007 as a freelancer contributor. Currently, oversees the teams in Chicago, Santiago and São Paulo. As an illicit trade expert, she supports the business development and sales teams to identify new research opportunities.

Lourdes is an expert in illicit trade research and has been key team leader developing Euromonitor's capabilities across many industries. Due to her expertise in the illicit trade research, Lourdes has actively participated in different forums of discussion, has published white papers, has given various presentations and press conferences.



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Euromonitor International is a global market research company providing strategic intelligence on industries, companies, economies and consumers around the world. Comprehensive international coverage and insights across consumer goods, business-to-business and service industries make our research an essential resource for businesses of all sizes.

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