



Illicit Trade
all party parliamentary group



Illicit trade in the UK

July 2018

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Dr Matthew Offord MP
Chair
Illicit Trade APPG

In 2015, I took the opportunity to travel around my Hendon constituency purchasing illicit cigarettes as part of a team which gathers intelligence on the trade. Throughout the course of the day, I became increasingly surprised at the quantity of illicit cigarettes that were so easily available and was shocked to find out how much it impacts on business and government.

Last year, I joined a cross-party group of colleagues to set up the APPG on Illicit Trade to explore the supply and demand side of illicit trade and bring forward new ideas about how we can tackle it.

People often view the purchase of counterfeit and illicit goods as a victimless crime and fairly harmless. However, the fact is that illicit trade not only has an impact on multi-national corporations, small businesses and the taxpayer, but it can also directly harm consumers and those who buy these products.

This inquiry comes at a unique time for the UK. Our withdrawal from the European Union presents new opportunities to tackle illicit trade as we replace EU regulations with our own. However, it also presents its challenges in areas such as cross-border cooperation.

This report rightly focuses on identifying what can be done to make the biggest impact and it is my hope that the outcome of this inquiry will help influence and stimulate government policy and thinking on how we can tackle illicit trade in the UK.

Scope

The Group has carried out an inquiry into the state of illicit trade. We received written evidence from a wide range of stakeholders and held oral evidence sessions with witnesses from business, consumer, law enforcement and government bodies. The data we have collected is extensive, and the focus of this report is to identify what can be done to make the biggest impact.

Executive summary

Illicit trade continues to increase across the UK. It takes many forms and its effects touch many areas and sectors. Ranging from electrical goods to food stuffs and alcohol. It stifles businesses, endangers consumers and damages the economy and communities. It deprives the Exchequer of revenues that could be spent on public services and provides funding to organised crime at little risk.

Illicit trade for the purposes of this inquiry is the illicit trade of genuine goods (e.g. smuggling), counterfeit goods or duty-not-paid goods.¹



There is currently no unified, national approach to combating illicit trade. And, while efforts are in place to tackle aspects of it, the authorities struggle to stem its flow. Work needs to be completed not only to tackle those who sell illicit goods, but also to change consumers' perspectives of illicit trade. Many do not see its potential for harm, and any unified approach needs to weave a warning message into its very fabric.

The inquiry found consistency of themes arising from respondents to the survey and evidence given at the oral hearings. Lack of robust enforcement, both at the border and at a local level, together with a paucity of prosecutions were seen to be giving criminals the chance to "get away with it". There was agreement that more needs to be done to promote awareness of effective prosecution of illicit trade. Respondent evidence submitted to the inquiry referred to the combination of higher prices (caused by increased tax) and a lack of awareness of the impact of buying counterfeit goods driving consumer demand across all industries, in particular in beverages and tobacco.

All stakeholders agreed that a coordinated approach to illicit trade in a post-Brexit world is needed, including for example, a consistent approach to the maintenance of Europol and the European Arrest Warrant system.

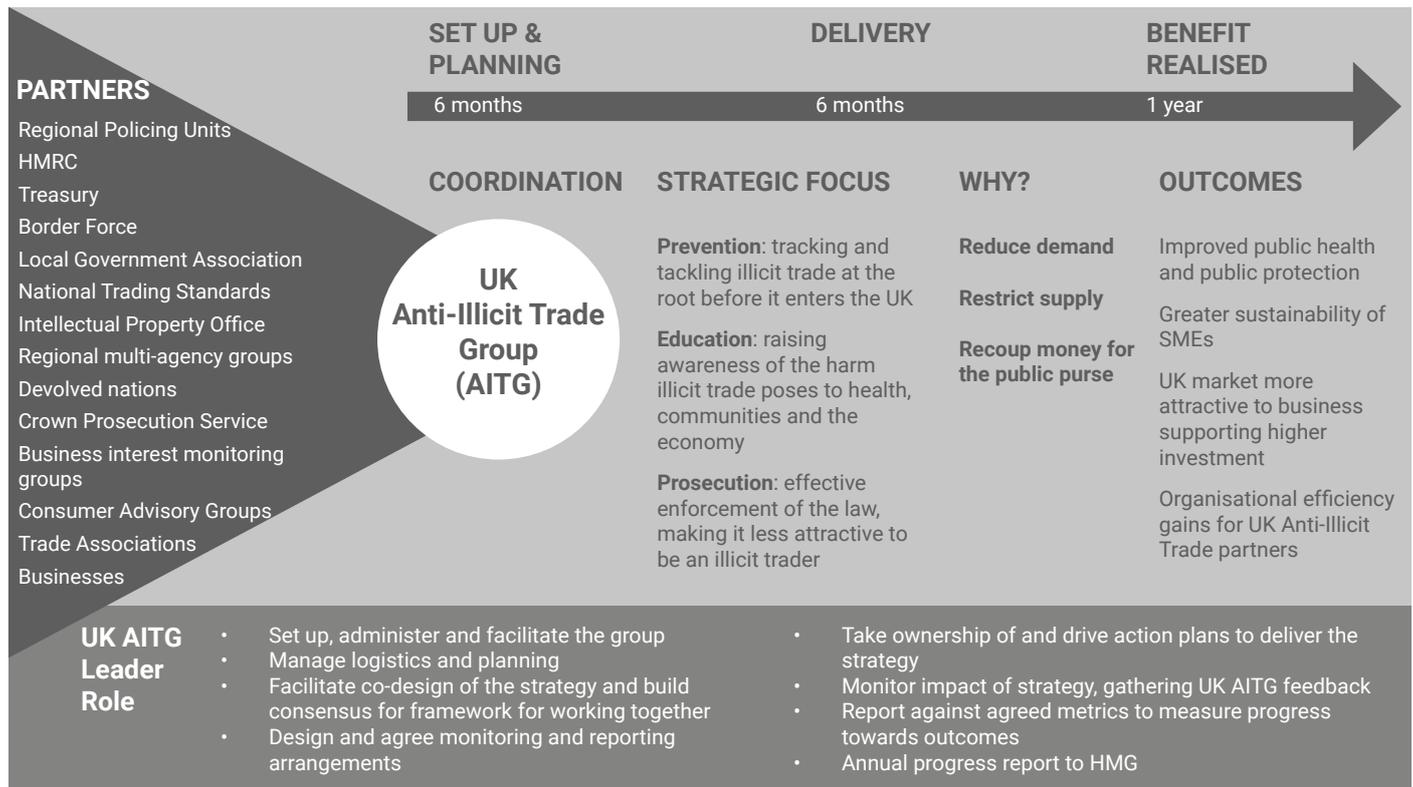
Having consulted over 50 stakeholders from a mix of public and private sector organisations (please see Appendix for full respondent list) most affected by illicit trade, our recommendation to the government is to establish a UK Anti-Illicit Trade Group, with clear governance and accountability, empowered to facilitate and coordinate partners, working together to deliver agreed strategic outcomes.

¹ Trade of illicit goods such as firearms and narcotics have been excluded from the scope of this APPG inquiry in order to dive into the harmful effect of the illicit trade of goods with lower prosecution status.

² HMRC, Measuring tax gaps 2018 edition, Tax gap estimates for 2016-17. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/715742/HMRC-measuring-tax-gaps-2018.pdf

Recommendations

A proposed plan and scope for our recommendations is presented below.



- 1 Create a UK Anti-Illicit Trade Group**
 Provide a forum for partnership coordination through dialogue, information and intelligence sharing, strengthening cross-organisational relationships and facilitating better use of resources through joining-up initiatives.
- 2 Define and implement a UK national Anti-Illicit Trade Strategy**
 The first task of the UK Anti-Illicit Trade Group should be to facilitate the creation of a national Anti-Illicit Trade Strategy. The UK Anti-Illicit Trade Group can work together to define the outcomes that align with their respective organisations responsibilities. These outcomes form the vision of the future that the Group's strategy seeks to deliver and provides the measures to determine the success of the Group's function. A key element of the national strategy should be how national policy is prepared and explored where it affects illicit trade so that it is consistent and harmonised. A key benefit of the UK Anti-Illicit Trade Group would be that it could provide a single combined source for contributing to Impact Assessments of the effect of policies on illicit trade.
- 3 Commission a UK Anti-Illicit Trade Group Lead**
 Empower a strategic lead to set up the Group, providing strategic focus, facilitation and implementation of the co-designed strategy. The lead would be responsible for building consensus, driving coordinated action, and monitoring and reporting against outcomes. A strong learning from the Scottish Anti-Illicit Trade Group is that senior political support is vital – providing a mandate for enforcement agencies to engage and the political will to change. The UK Anti-illicit Trade Group should have political backing at the highest-level with a Minister able to support and champion its work.
- 4 Develop the knowledge base to support the UK Anti-Illicit Trade Group**
 Insight gained from the APPG inquiry provides a compelling case that the strategy must comprise focused, coordinated action for prevention, education and prosecution. To support interventions, a knowledge base should be developed and further validated and tested as part of the Group set up. As a first step, further validation work is required to:
 - Develop market and consumer trend analysis capability:* to better understand the drivers of illicit trade from a consumer perspective. Our survey shows that when asking what the prevalent perception is of consumers towards illicit trade, 48% of respondents said that this was an "opportunity to get equivalent goods for lower cost". We need to better understand the patterns of consumer behaviour - where and how products are being purchased and what is driving this?
 - Assess the scale of Intellectual Property Crime and the role of Organised Crime within it:* working with organisations such as the Intellectual Property Office (IPO), HMRC and Police Scotland, building upon existing assessments to gain greater understanding of the threat, risk and harm of illicit trade to UK businesses, consumers and public health.

Why do we need a UK Anti-Illicit Trade Group?

Due to funding reductions in areas such as Trading Standards and policing in recent times, together with mounting pressure on HMRC, Border Force and wider anti-illicit trade partners, existing resources for combating illicit trade are increasingly stretched despite recognition that illicit trade continues to grow. We recognise that government has tried to stem this tide, in part, with additional resources for Border Force and HMRC (announced in the 2015 and 2016 Budgets), specially aimed at tobacco fraud. However, this is just one area whilst the most recent figures for the tobacco tax gap show that the amount lost has increased.³

As illicit trade continues to grow, sharing information plays an increasingly key part in successful multi-agency collaboration against it. By working across sectors, collaborative investigations, prosecutions and public protection is raising awareness of its harmful effects.

Despite this success, efforts are often locally-focused and inconsistent, meaning root causes and the illicit supply chain across the UK and internationally are harder to challenge. Without a complete national picture and approach to tackling illicit trade, efforts continue to be sporadic and we are not making best use of existing resources. Feedback shows that an improved system-wide approach is required, from our borders (better and more checks with more duties paid) through to our local communities, with a greater focus on enhancing the role of Trading Standards. This national picture also needs to include the collection of better quality data on the impact of illicit trade and an evaluation of what works and does not work so that we can track progress and make the biggest impact through targeted responses.

Those responding to the inquiry's call for evidence and survey, along with witnesses at hearings, note that a lack of focus and clarity of governance is contributing to this inconsistent approach.

A dedicated forum for co-ordination, providing a space for harmonising policy-making and facilitated by an empowered leader that drives an agreed strategy, will support better alignment between government departments and agencies at national, regional and local level. This has considerable benefits for the government and the public, including increased safety for consumers, increased tax revenue, and better business sustainability for retail SMEs in particular.

Without a national approach to tackling illicit trade, efforts are patchy, variable and impacted by, at times, conflicting policy. We found that inconsistent investigation and prosecution, along with misguided public perception, has fuelled the belief that this crime is a low-risk, high-return industry. Survey respondents expressed concern for the current capacity and skillset needed to tackle increasingly online offences.

With a shared, targeted approach to illicit trade based on agreed outcomes and how best to achieve them, we can gain a macro view of the illicit trade landscape. A UK Anti-Illicit Trade Group commissioned strategic assessment will support evidence based decision-making and better use of available resources for maximum impact.

With a greater understanding of markets, attitudes and behaviours, the UK can use existing working partnerships to develop a strategy for meaningful change. The strategy will define the problem clearly and contain a detailed action plan to deliver the desired outcomes. The strategy will include ways to tackle international supply chains; ensure that we continue to work closely with our European partners to maintain the flow of intelligence between the UK and the EU; improve our law enforcement activities through increased intelligence sharing between UK agencies; improve our border checks; enhance the work of Trading Standards at a local level; and improve awareness of illicit trade amongst the public, as well as retailers to cut demand.

³ <https://www.gov.uk/government/statistics/tobacco-tax-gap-estimates>

It is critical that there is an overarching view within government of how different policies impact illicit trade. We know, for example, that policies coming from different departments can have impact on illicit trade, such as the Soft Drinks Industry Levy introduced in 2018 to tackle childhood obesity. The Federation of Wholesale Distributors predicts that the Levy will see illicit trade in soft drinks increase from approximately five per cent of soft drinks being from untraceable sources to 20 per cent.⁴ A single forum to share information and test implications of policy would better mitigate against new government policies indirectly increasing opportunities for illicit trade in the UK.

A UK-wide Anti-Illicit Trade Group would support better use of existing resources through alignment to an agreed strategy or approach to illicit trade. The evidence shows the main barrier cited for agency effectiveness against illicit trade is the reduction of law enforcement, central and local government resources. Funding cuts – such as the 50 per cent cut to Trading Standards since 2008 – stretch capacity to investigate and fuel inconsistent practice due to differing abilities of councils to bear spend pressure of supporting Trading Standards.⁵

In an environment of budgetary pressure on public sector organisations fighting illicit trade, we need to make better use of what we already have at our disposal. Now more than ever, industry plays a critical role in combatting illicit trade through sharing operational expertise, insight and capability to identify illicit goods, with public sector organisations. HMRC, through its Implementation Working Group⁶, engages industry to gain better line of sight to goods on the ground, with businesses helping to build identification capability and better enforcement capacity, for example, by improving the ability of HMRC operational officers to differentiate between products. A UK Anti-Illicit Trade Group will be able to take a systematic approach to facilitate this practice that brings benefits to both public sector organisations and businesses.

We believe a national group would be able to take the best-practice that exists both in the UK and across the world and deploy it and export it as appropriate.

⁴ APPG Evidence Submission from British Soft Drinks Association, statistics from the Federation of Wholesale Distributors.

⁵ Response from Trading Standards Service Oxfordshire County Council and corroborated on TradingStandards.uk.

⁶ This group was established in light of the Soft Drinks Industry Levy.

Case study

Scottish Anti-Illicit Trade Group: Learning from the success of joined-up delivery

The Scottish Anti-Illicit Trade Group chaired by the former Scottish Justice Secretary Kenny MacAskill since November 2017 brings representatives from private and public sectors together with the strategic aim to scale, cost and reduce illicit trade throughout the country. It comprises:

- Police Scotland
- Crown Office and Procurator Fiscal
- Trading Standards Scotland
- Scottish Fire and Rescue Service
- Federation Against Copyright Theft
- Scottish Business Resilience Centre
- HMRC
- Convention of Scottish Local Authorities
- Border Force
- Medicines and Healthcare Regulatory Agency
- Food Standards Scotland
- Intellectual Property Office
- Anti-Counterfeiting Group
- Business and retail sectors including brand representatives

Its aim is to bring together existing partners tackling illicit trade in a more co-ordinated way, with their strategic objectives focussing on Prevention, Intelligence and Enforcement.

Operation Salang provides a good example of this co-ordinated work. Originally intended to address illicit goods sales close to the 2014 Glasgow Commonwealth Games arenas, it soon broadened into wider operations and has produced significant results over time. Operation Salang resulted in £29 million worth of goods being recovered, 35 arrests, £50,000 in cash being seized and £72,000 being seized from banks.

A key learning from the Scottish Anti-Illicit Trade Group was that clear political sponsorship made the difference in enabling the public sector agencies to engage with the creation of the strategy and the ongoing support for the group. The support of the Justice Secretary, Kenny MacAskill, was instrumental in unlocking cooperation by the different agencies and ensured that the recommendations of the Group were implemented, providing the consequent benefits.

“Within 18 months, £29 million of illicit goods were seized from criminals. Vehicles, cash and houses were seized under the Proceeds of Crime Act. Creative industries once suffering under counterfeiting and piracy are now replacing criminals in the marketplace.”

(Police Scotland, Illicit Trade APPG Evidence Submission, 2018)

Devolution, working across the United Kingdom to tackle illicit trade: The nature of the UK means that each constitute nation will have its own infrastructure and approach to tackling illicit trade. The inquiry received evidence of best practice in this respect in Scotland with the Scottish Anti-Illicit Trade Group. Whilst it is correct that there will be local approaches that should continue, there is an absence of an overarching strategy or group that could serve to bring a unified and coordinated national approach across the entire UK.

Given the fluidity of illicit trade and its disregard for constitutional or administrative arrangements, it is imperative that appropriate representation from devolved nations is established as key partners in the Group, feeding into the national strategy.

Future challenges: Leaving the EU combines future change and uncertainty with an already ambiguous situation. Inevitably, criminal organisations will exploit change and uncertainty for their own gain, and the UK needs to anticipate this and put in place plans for countering new threats. However, Brexit presents an opportunity to redefine the operating model and approach, preventing criminality from taking advantage of uncoordinated efforts, system misalignment and regulatory confusion.

Illicit trade directly affects the UK

At present respondents to the inquiry can see worsening outcomes for the public purse, public health and community protection, and SME sustainability. Working together strategically, there is potential for quick wins and longer term improved outcomes.

Cost and losses to the public purse: HMRC estimates an annual tax gap of £4.2bn per year across tobacco, alcohol, diesel, landfill and other excise duties. These are the primary areas of responsibility for HMRC and do not provide a complete picture of the true costs to the public purse and businesses; inquiry evidence indicates we do not have a single robust figure but estimations suggest it would be staggeringly higher than £4.2bn across all sectors.

“The creative industries are worth almost £92 billion to the UK economy and provide 1.9 million jobs. Illicit trade not only affects businesses and sales, but the UK economy and jobs.”

(FACT, Illicit Trade APPG Evidence Submission, 2018)

MOST FREQUENT COUNTERFEIT GOODS INTO THE UK



It has a detrimental impact on people and communities: Many counterfeit goods, such as children’s toys and electronic goods, have serious health and safety implications for consumers. Counterfeit toys often do not conform to the regulations for toys outlined in the Toy Safety Directive 2009/48/EC, including the CE mark.⁷ Counterfeit electronic goods are of poorer build quality, lack safety features and have dangerous deficiencies in design.

⁷ The letters “CE” are the abbreviation of the French phrase “Conformité Européene” which literally means “European Conformity” and marks compliance with the Directive 93/68EEC.

“In a recent test, Electrical Safety First found 90% of fake or lookalike iPhone chargers put consumers at risk of lethal electric shock and fire.”

(Electricity Safety First Research Report, 2016)

It has well-documented links to more serious organised crime: As mentioned above, we need a much more robust evidence base for the scale and scope of links between illicit trade and organised crime across the UK, but there is strong evidence from law enforcement agencies that illicit trade is a stepping stone for more organised crime activities within local communities. We know for example, that Organised Criminal Gangs (OCGs) are responsible for the sale of illicit tobacco products in the UK, with profits often used to fund drug and human trafficking.

“Illicit trade has links with recorded Organised Crime Groups across England and Wales. It is regarded as low risk but high reward. Intelligence links the commodity being used to groom vulnerable young females for CSE [Child Sexual Exploitation]. Additionally, there are elements of exploitation for those employed in smaller shops to sell the products.”

(Wales Regional Organised Crime Unit, Illicit Trade APPG Evidence Submission, 2018)

It has significant impact on SMEs: Small and medium-sized businesses are hit particularly hard by illicit trade, especially those in the retail sector. The Tobacco Retailers’ Association estimates that, on average, approximately £34,000 of revenue was lost by each small retailer in 2016/2017. Of this, approximately one-fifth is due to legitimate cross-border shopping, leaving an illicit trade-related loss of around £27,000. As our case study on Totseat demonstrates, illicit trade can seriously threaten a SME’s future.

Case study

Totseat: Understanding illicit trade's impact on small business

Totseat is an excellent example of how illicit trade can threaten the success of small businesses. Founded in November 2014, Totseat is a small, family-run operation and a leading provider of high-quality fabric highchairs. It currently exports its products to more than 40 countries.

A few years ago, the company was affected by numerous counterfeit products entering the marketplace which HMRC ended up seizing at the border. Totseat then had to spend a considerable amount of time and effort to fight the counterfeit, spending almost 50p per pound in the first year. It even employed Chinese speakers in its head office in Edinburgh, to correspond with the on-line retailer Alibaba to stop sales and prove they owned their intellectual property. They had to register their intellectual property case in over 26 countries.

These efforts took their toll not just financially, but emotionally and professionally. After significant effort, counterfeits were reduced and Totseat has found its feet again, emerging as the leading brand of fabric highchair. The company now works hard to help others avoid the same problem.

"It's difficult for SMEs to uphold their intellectual property. The process is incredibly expensive and weighted against genuine companies."

(Trade association, Illicit Trade APPG Evidence Submission, 2018)

Why do we need a UK Anti-Illicit Trade Group lead?

Co-design and building consensus are key to a successful strategy. The co-design process needs to include an agreed framework covering how the partnership works. There are excellent examples of existing government bodies, industry and law enforcement agencies working together to tackle illicit trade in the UK:

- Targeted operations like Operation Jasper, a small multi-agency operation of public and private sector organisations (including over 100 local Trading Standards) that target sellers of illicit goods on social media and markets, has conducted over 210 investigations resulting in 90 warrants being executed and over 10,000 URLs being removed from social media (Source: The National Trading Standards eCrime Team).
- The IPO, as part of the government's Serious and Organised Crime strategy, does significant amounts of work to reduce the level of illegal content online. This includes tackling trade in counterfeit goods, increasing education and awareness, and building respect for intellectual property.
- Many industry associations also have this topic high on their agenda. The British Beer and Pub Association's members, for example, regularly share intelligence and sales information with HMRC, and have robust due diligence procedures in place to mitigate illicit activity. The Crop Protection Association works relentlessly with its EU partners to raise awareness of the harm illicit pesticides do to UK farmers and how to better recognise counterfeit products.
- There are also private organisations, such as Snap Dragon Monitoring, which raise awareness and support SMEs to better protect themselves against the dangers of illicit trade.

However, in the absence of a strategic lead, coordination efforts to deliver outcomes are ad hoc and disjointed leading to missed opportunities to share best practices, improve intelligence-sharing, and have a common understanding and view of different organisations' responsibilities.

A national strategy requires accountability for delivery. Efforts must be coordinated and aligned, with progress tracked and results measured.

What might a UK national strategy look like?

Insight gained from the analysis of evidence gathered from the survey and hearings makes a compelling case to focus the strategy on three core themes: Prevention, Education and Prosecution. It is recommended that a validation exercise be undertaken with partners in the anti-illicit trade arena to further strengthen the evidence base.

Prevention

The most effective way to combat illicit trade is to stop it before it has begun by preventing illicit goods entering the UK. Brexit offers an opportunity for fresh and innovative ways to achieve this. By working with global partners to trace the supply-chain, we can target action through utilising data and analytics. Unsurprisingly, our research showed that when asked what the single biggest element of Britain's relationship with Europe regarding Brexit is to the issue of illicit trade, 72% of respondents placed cross-border intelligence sharing as their number one priority, followed by shared enforcement activities (60%).

There are future opportunities to increase information-sharing across borders. The recent UK China Treaty will make this possible with China, presenting a significant opportunity to reduce the availability of illicit goods.

“The UK is a world leader in intellectual property enforcement and this Treaty could be a major step for HM Government in tackling illicit trade by combining the work of organisations and using industry partners who often identify the offending before it comes to the notice of government or law enforcement.”

(Huw Watkins, The Intellectual Property Office, Illicit Trade APPG Evidence Submission, 2018)

Tackling the supply chain is particularly important to the independent retail sector. Local retailers and their representative organisations provided feedback that despite raids by local Trading Standards officers, supplies are quickly re-stocked. As the National Federation of Retail Newsagents said, *“Our members have little sight of the illicit supply chain, tending to just see the impact in its falling sales. Members have noted that any store that is raided by local trading standards officers tends to re-stock very quickly, suggesting an effective supply chain”*. (Source: National Federation of Retail Newsagents, APPG Evidence Submission, 2018)

Case study

The Real Deal Campaign

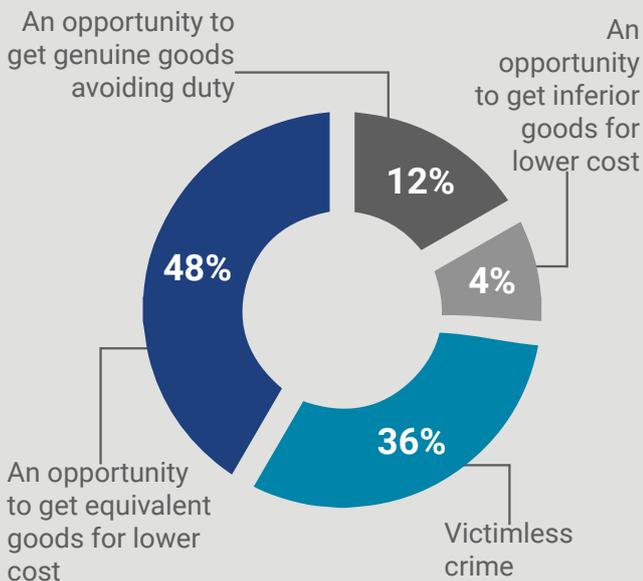
The Real Deal Campaign is a preventative initiative of the National Markets Group for IP Protection and brings together IP owners, Trading Standards and market operators. Their common purpose is to reduce the sale of counterfeit products and other illicit goods at markets and car boot sales.

The campaign has been implemented by over 85 local authority trading standards services and around 500 markets across the UK. The model is now being adapted to offer local authorities a similar preventative approach for tackling the sale of IP infringing products on online and social media marketplaces.

Education

Illicit trade's biggest driver is demand. Reducing demand and improving consumer awareness of the issue will make the market less lucrative and likely slow down activity. Based on responder evidence, consumers are not always aware that goods are counterfeit, and do not see the harm to their communities and economy even when they are aware. Sometimes they believe they are purchasing a genuine product cheaply without understanding the dangers counterfeit goods can pose to public health and the economy. Evidence provided to the APPG shows that while this will be a significant challenge to overcome, it is critical to the success of tackling illicit trade.

WHEN ASKED "WHAT DO YOU FEEL IS THE PREVALENT PERCEPTION OF ILLICIT TRADE FOR THE PUBLIC AND CONSUMERS?", OUR SURVEY RESPONDENTS SAID:

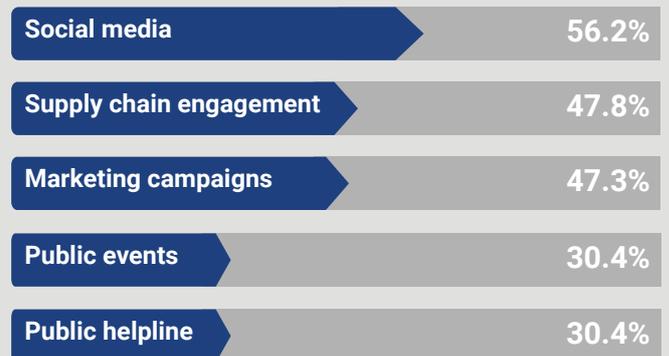


“The increasing use of illegal streaming devices by the public who see it as a victimless crime is providing funds to international Organised Crime Groups.”

(Huw Watkins, The Intellectual Property Office, Illicit Trade APPG Evidence Submission, 2018)

Tackling public awareness must be central to our strategy, and assessing existing campaigns' impact and learning best practice from them will be critical. We need to understand how to better utilise social media and engage with the supply chain and end customers, as social media appears to be the preferred way organisations want to engage with the public to influence consumer behaviour.

WHEN CONSIDERING HOW YOUR ORGANISATION WORKS WITH THE PUBLIC AND/OR CONSUMERS, WHAT METHODS DO YOU USE TO ENGAGE WITH THE PUBLIC TO TACKLE ILLICIT TRADE?



Prosecution

Effective enforcement is considered absolutely critical by those combatting illicit trade. When asked about key drivers in their sectors, lack of enforcement and inadequate penalties were most prevalent.

WHAT ARE THE KEY DRIVERS OF ILLICIT TRADE IN YOUR SECTOR?



Inquiry respondents highlighted excellent examples of joint working leading to improved enforcement activities. Regional Organised Crime Units often work closely with local police forces, industry and other enforcement agencies, to run specific operations to dismantle organised crime activity across illicit trade and IP crime types. In the last two years alone HMRC's activity on illicit tobacco resulted in almost 700 prosecutions but the picture for the illicit trade as a whole is not clear.

"These joint intelligence development operations are very successful and disrupt or completely dismantle organised crime activity across various illicit trade and intellectual property crime types."

(CC Giles York, National Police Chief's Council Lead for IP Crime, Illicit Trade APPG Evidence Submission, 2018)

The IPO itself also works closely with HMRC and its enforcement team has identified cases which have already provided opportunities to disrupt Organised Crime Groups through taxation.

However, there are challenges. With rising and competing demand for police resources, it is difficult to conduct the right enforcement activity at a local, regional and national level. It is also difficult to quantify the volume of activity-enforcement is undertaken by police, normally as part of a multi-agency operation, but often recorded as fraud or money laundering investigations rather than intellectual property crime or illicit trade.

Evidence hearings with stakeholders demonstrated there are opportunities to improve enforcement and prosecution by improving information flow between government departments in national and border security, looking at ways to overcome legal barriers to sharing intelligence, and using the UK's reputation as a world leader in intellectual property enforcement to leverage international co-operation.

Feedback from tobacco retailers highlighted the need for greater consistency in sentencing and penalties for those found guilty of dealing with illegal tobacco. The National Federation of Retail Newsagents were clear that penalties must "act as a deterrent rather than a minor inconvenience for those who are caught." (Source: APPG Evidence Submission, 2018). Disparity persists in the understanding of the seriousness of the illicit trade crime and the sentences applied.

Enforcement and prosecution is a complex landscape with multiple parts of government involved – HMRC, Border Force, Police, Local Authorities, Regional Organised Crime Units and the wider judicial system. The list is long and the complexity weakens our ability to fight criminals.

A national outcomes-based strategy will not only ensure consistency of approach to enforcement and prosecution across sectors and the supply chain, from entry into the UK to the locality where it is sold, but will also provide the opportunity to see how existing best practice can be replicated across organisations involved in reducing illicit trade. For example, it might explore the use of technology such as automatic freight targeting, recently introduced by Border Force which targets illegal containers entering the UK.

Conclusion

The timing for government intervention in illicit trade is critical. The International Chamber of Commerce has predicted that the value of global domestically produced and consumed counterfeit and pirated goods could range from \$524–\$959 billion (£397 - £727 billion) by 2022. (ICC, The Economic Impacts of Counterfeiting and Piracy, 2017)

It has a harmful effect on consumers, jobs and our broader economy, with links into wider organised crime.

As more and more consumers buy goods online, their risk of purchasing counterfeit goods increases. Enforcement issues, such as inconsistent penalties and insufficient checks, let criminals traffic billions of pounds' worth of fake and prohibited goods each year. We believe a UK Anti-Illicit Trade Group offers a cohesive way to ensure illicit traders are inhibited from profiting from consumers who are unaware of the consequences. Furthermore, clear governance and accountability will significantly contribute to successfully reducing illicit trade. Including illicit trade in a Minister's portfolio may be an approach and this should be considered in the creation of the national strategy.

Brexit itself poses both challenges and opportunities. How do we maintain close information-sharing across borders and joint enforcement activities in a post-Brexit world? What is our coordinated view on maintaining the CE mark on electronic and other goods? And how do we seize the opportunity to replace current regulations with ones designed to reduce illicit trade?

“From a policing perspective, our relationship with Europol is critical. Sharing intelligence and developing practical opportunities to counter crime are key benefits. It is anticipated that if the UK is no longer a member of the European Union whilst we will continue to contribute to Europol, our ability to influence activity will be diminished.”

(Alex Rothwell, City of London Police, Illicit Trade APPG Evidence Submission, 2018)

The APPG on Illicit Trade inquiry recommends that the government endorse and support the creation of a UK Anti-Illicit Trade Group, assigning authority to a strategic lead for facilitating the group and driving it towards delivering a strategy that will improve outcomes for the public, consumers, businesses and public sector organisations.

SURVEY RESPONDENTS

Central and Local Government

Wales Regional Organised Crime Unit
North East Regional Special Operations Unit
National Trading Standards eCrime Team
Oxfordshire County Council
Police Service of Scotland
Police Service of Northern Ireland
City of London Police

Third Sector

FACT
Institute of Economic Affairs

Private Sector

NewTrade
TECH UK
Newsagents
SnapDragon Monitoring Ltd
British Soft Drinks Association
Japan Tobacco International
Tobacco Retailer's Alliance
Tobacco Manufacturer's Association
British American Tobacco
National Federation of Retail Newsagents
Trade association
Petrol Retailers Association
British Beer and Pub Association
Reh Kendermann UK Ltd
Tanners Wines Ltd
Wine and Spirit Trade Association
Crop Protection Association

Multi-Agency Groups

National markets Group for IP Projection
Real Deal Campaign for Fake Free Markets

EVIDENCE HEARINGS

Andrew Law, Detective Constable, Police Scotland

Kenny MacCaskill, Scottish Anti Illicit Trade Group

Chris Neilson, National IP Crime Co-ordination, Sussex Police

Alex Rothwell, Detective Superintendent, Deputy National Co-ordinator, City of London Police

Judith Kelly OBE, Deputy Director, Excise and Environmental Taxes Policy Delivery, HMRC

Kate Pike, Regional Co-ordinator, Trading Standards North West

Huw Watkins, Head of Intelligence, Intellectual Property Office

David Richardson, Regulatory and Commercial Affairs Director, The Wine and Spirit Trade Association

James Bielby, Chief Executive, Federation Wholesale Distributors

Gavin Partington, Director General, British Soft Drinks Association

Steve Carden, PA Consulting

Julie Byers, Public Affairs Manager, Association of Convenience Stores

Patricia Lennon, Campaign Manager, Real Deal Campaign for Fake-Free Markets

Roger Critchell, Director of Operations, Crimestoppers

Eddy Leviten, Director General, Alliance for Intellectual Property

Chris Snowdon, Head of Lifestyle Economics, Institution of Economic Affairs



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