



Traccc

Terrorism, Transnational Crime and Corruption Center
At the Schar School of Policy and Government

pioneering research on non-traditional security challenges

Scholarship – Events – Policy Advisement

Traccc.gmu.edu



TracCC

WELCOME

- Please remain on mute throughout all presentations
- Feel free to introduce yourself or your org and where you are joining from in the chat function
- You are welcome to submit questions to the chat at any time



Jerry Cook: VP Government and Trade Relations, HanesBrands, Inc.



Monica Ramirez: Global Director, Corporate Affairs, Regulatory and Public Policy, Anheuser-Busch InBev



Adrian Cheek: Threat Researcher, former UK Law Enforcement Officer



David Luna: Founder, International Coalition Against Illicit Economies; Co-Director, Anti-Illicit Trade Institute (AITI), TraCCC (moderator)



Layla Hashemi, PhD: Postdoctoral Research Fellow, TraCCC (moderator)

Illicit Alcohol

Monica Ramirez

AB InBev

Global Director Regulatory and Policy - Corporate Affairs

March 7th, 2023





index

- 1. Definitions**
- 2. Size & shape**
- 3. Way forward**



index

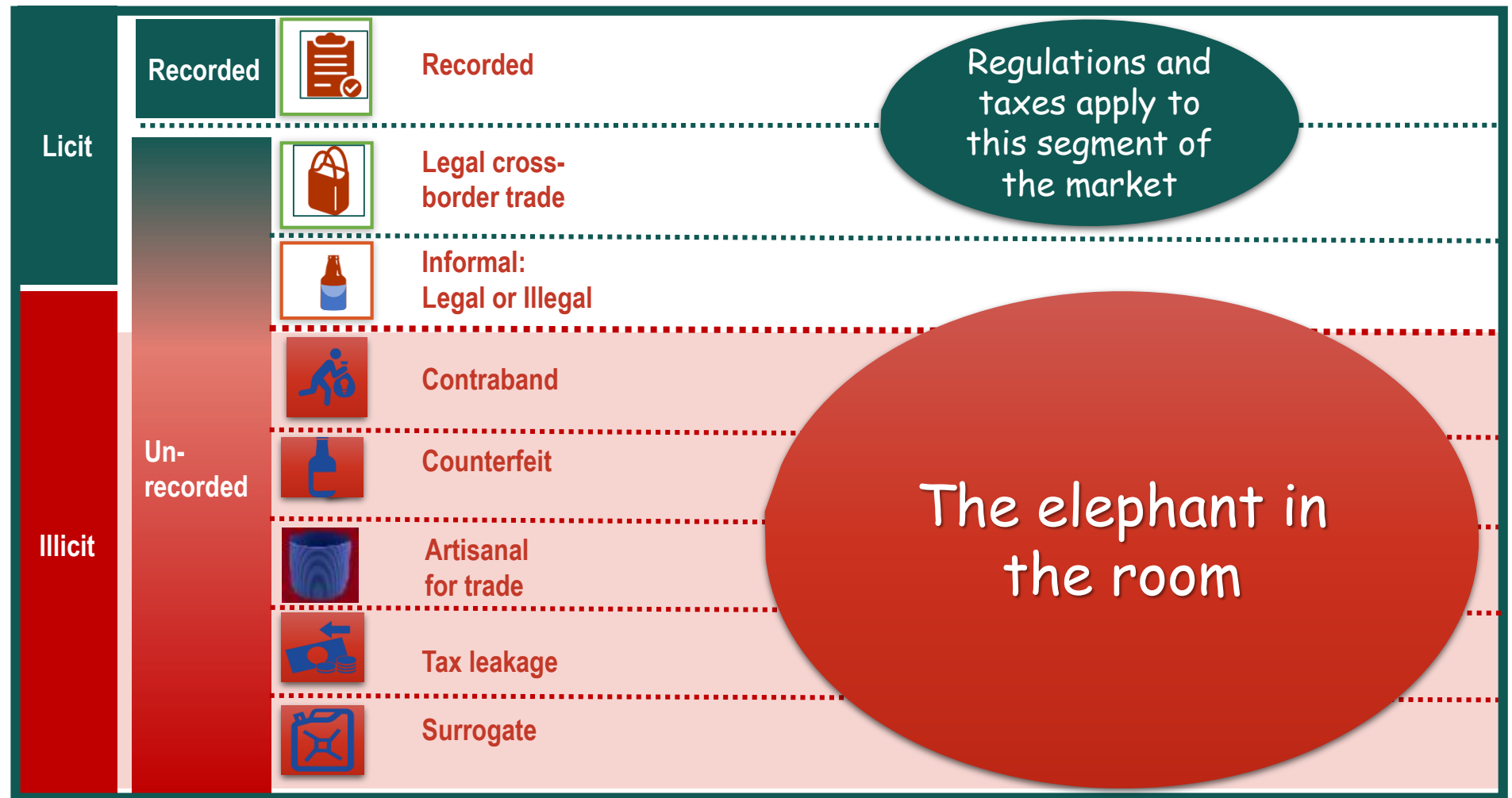
1. Definitions

2. Size & shape

3. Way forward

1. Definitions

Regulations and taxation apply to a small portion of the market



1. Definitions

What is illicit alcohol?

Includes all the alcoholic beverages, distilled or fermented, that exist outside legal framework

Contraband



Illegal imports of ethanol as raw material and illegal imports of alcoholic beverages as finished product.

Counterfeit



Illegal alcohol sold as legal brands, refilled bottles, illegal brands or illegal unbranded alcohol.

Artisanal for trade



Illegal artisanal alcoholic beverages manufactured for commercial purposes.

Surrogate



Alcohol not intended for human consumption, such as pharmaceutical alcohol, mouthwash, perfumes/colognes

Tax leakage



Legal alcoholic beverages for which consumption taxes are not paid.



index

1. Definitions

2. Size & shape

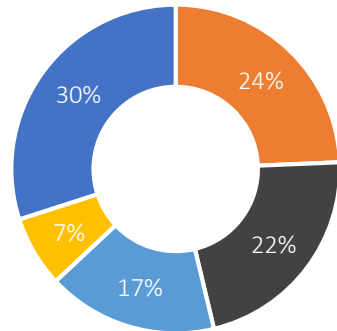
3. Way forward

• 2. Size and shape

1 out of 4 bottles of alcohol is illicit

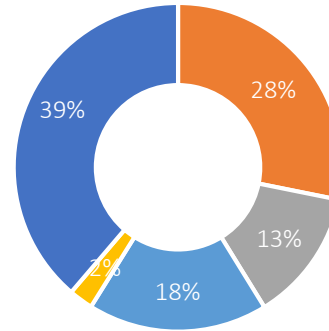
25%
Illicit alcohol
volume

Volume
by category (LAE)

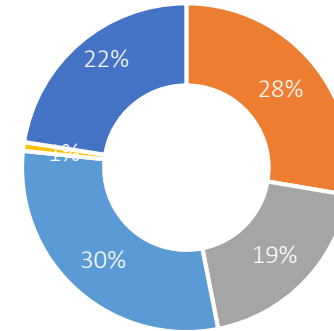


14%
Illicit alcohol
value

Value
by category (US\$)



Fiscal loss



Counterfeit
/ unregistered brands

Illicit
artisanal

Smuggling

Surrogate

Tax
leakage

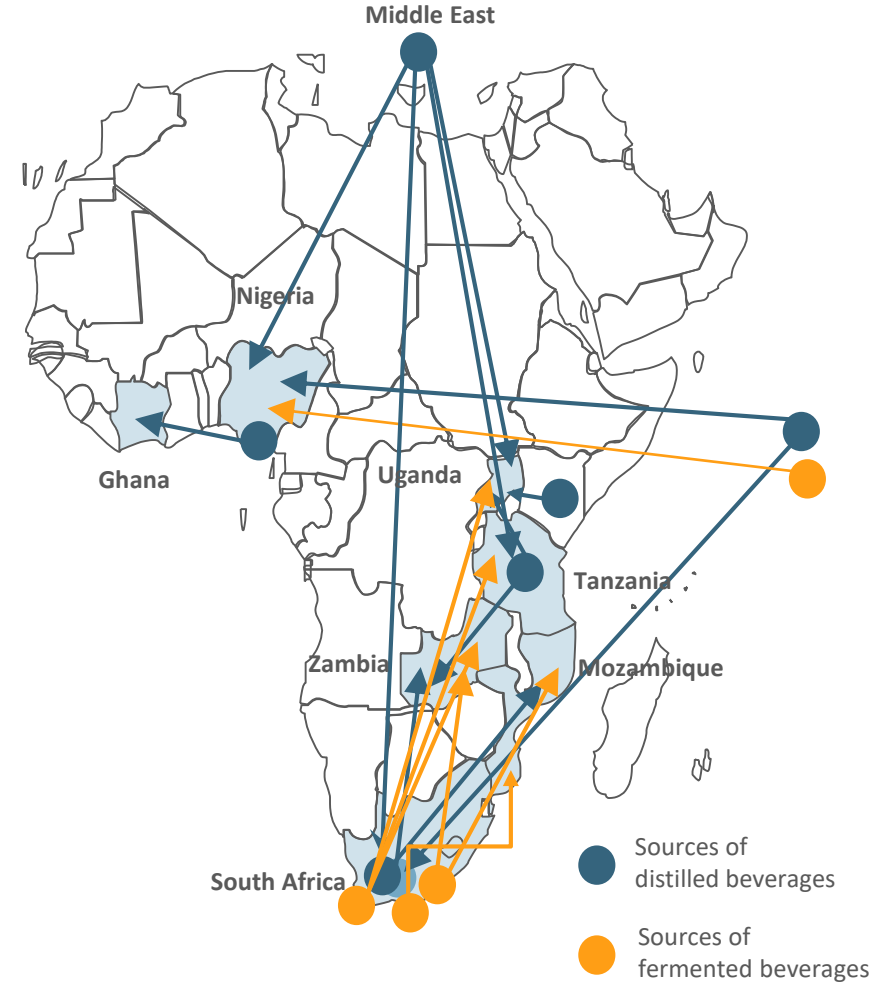
Source: Euromonitor International 2018

Euromonitor conducted a review of research covering the illicit alcohol markets in 24 countries (Latin America, Eastern Europe, Africa) Note: Market sizes for both licit and illicit alcohol include both on-trade (restaurants, bars, etc.) and off-trade (retail).

2. Size and shape

The prevalence of smuggling in Africa is a reminder of collusion, corruption and lack of enforcement at border points throughout the region despite major investment by governments

Smuggling routes for alcoholic beverages in Africa



2. Size and shape



Example: Sometimes distributors take advantage of differences in import tariffs and controls between countries, especially exploiting free trade zones

The case of Panama

Well-known brands of distilled beverages imported through the Free Trade Zone of Colon are often smuggled into neighboring countries in the region. This is due to higher prices of these alcoholic beverages attributed to high excise taxes, making these products highly profitable for illicit importers selling them in on-trade and off-trade channels.



index

1. Definitions
2. Size & shape
3. Way forward

3. Way forward

Menu of Options

Find a solution according to the problem



For counterfeit: Ethanol regulation & control (labs)

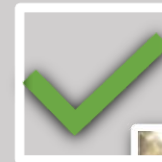
For smuggling: Customs targeted interventions

For artisanal for trade: Raise awareness on health risks and formalize; Local crops

For tax leakage: Optimize processes, enforcement & institutions



Strengthen governmental institutions
i.e.: Colombia



Public – private alliances
i.e.: UK, Colombia, Peru



Formalization of small producers
i.e. Africa, Asia and Latin America

3. Way forward



**FROM 100%
IN 1933**

**TO 2%
IN 2022**

1933

2022

3. Way forward



**FROM 100%
IN 1933**

**TO 2%
IN 2023**

1933

2023



**FROM 25%
IN 2023**

2023

**TO ?
IN ?**

?

Illicit Alcohol

Thanks!

Monica Ramirez

AB InBev

Global Director Regulatory and Policy - Corporate Affairs

March 7th, 2023



Hubs of Illicit Trade

Wallets to Websites

Adrian Cheek

Operation Pangea

Interpol led Global initiative Targeting Illicit Medicines and Medical devices

The Positives:

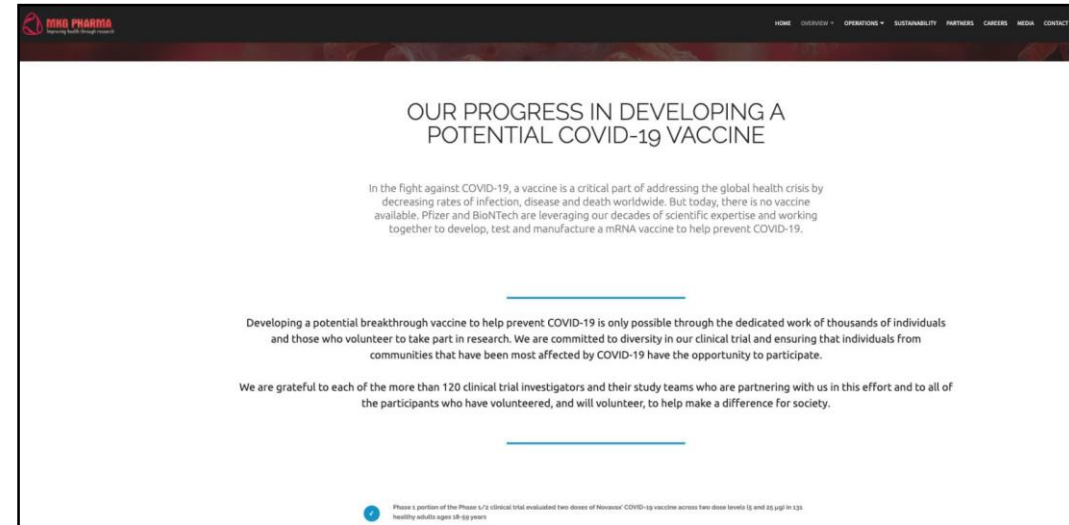
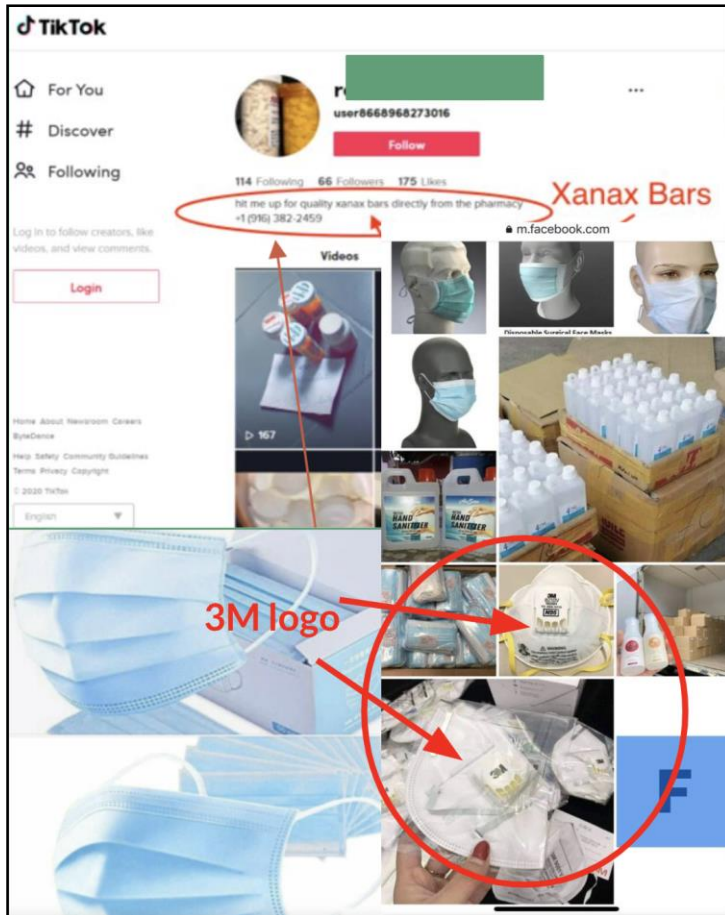
- Investigated more than 4,000 web links, mainly from social media platforms and messaging apps
- Shut down or removed more than 4,000 web links containing adverts for illicit products
- Inspected nearly 3,000 packages and 280 postal hubs at airports, borders and mail distribution or cargo mail centres
- Opened more than 600 new investigations and issued more than 200 search warrants

The Negatives:

- It's the same period every year. Criminals know this and they shut down operations or sacrifice a few pieces of deadwood.
- Danish Medicines Agency stated that this year's Operation Pangea XV point to the “usual suspects”. - So does this actually have an impact?
- Pangea II - V removed over 10,000 websites, links and social media posts PER operation. Statistics shows that Illicit Pharma is only increasing. The numbers don't match.
- Virtually the same illicit business model from 15 years ago works today. You don't fix it, if it's not broken.

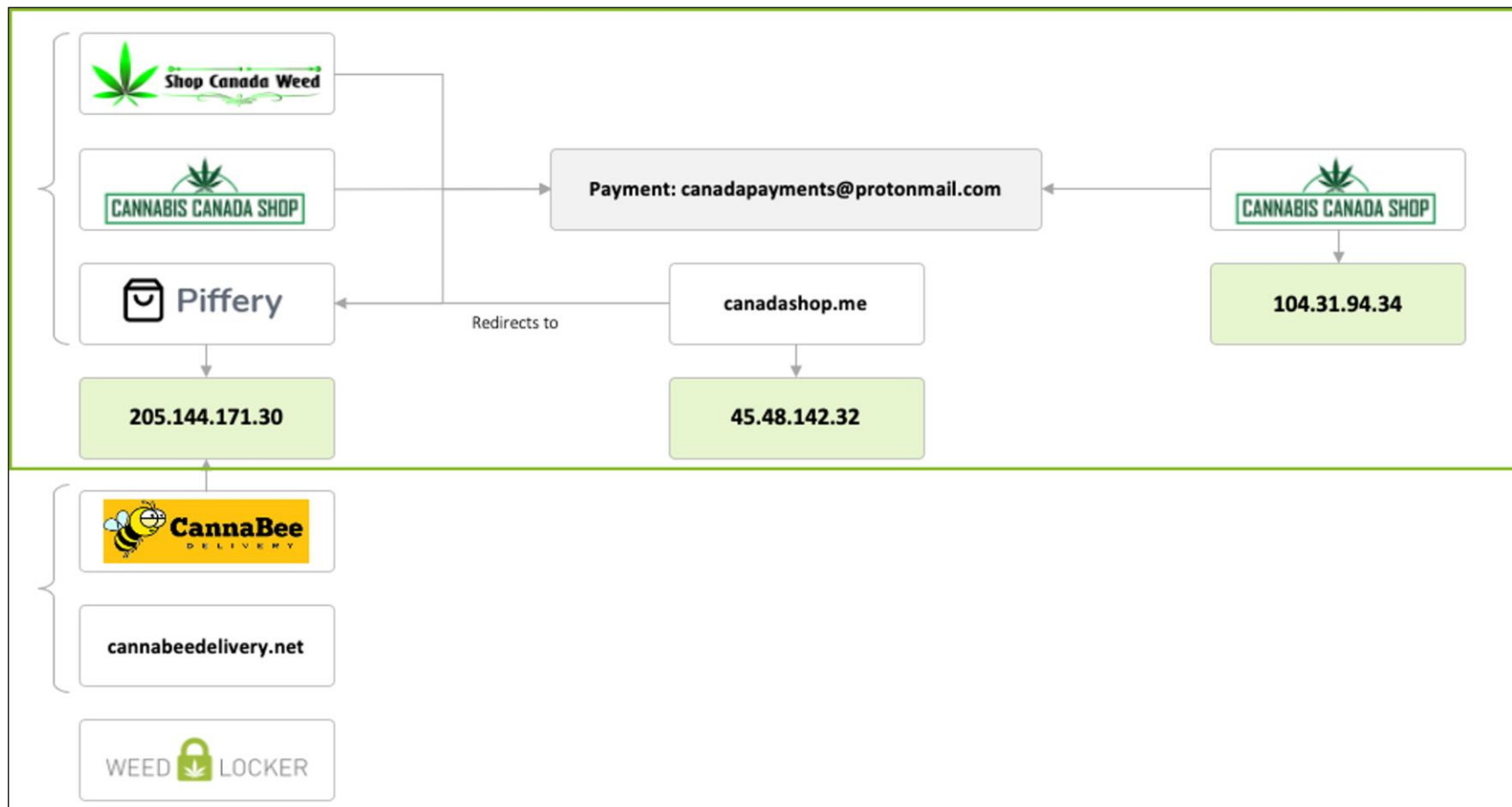
Pandemic - New Business Opportunity

The biggest impact on the the Illicit Pharmaceutical Trade during the hight of the Pandemic, was the closure of the postal services. The Pandemic itself simply presented a new business to quickly pivot into.



Wallets to Websites

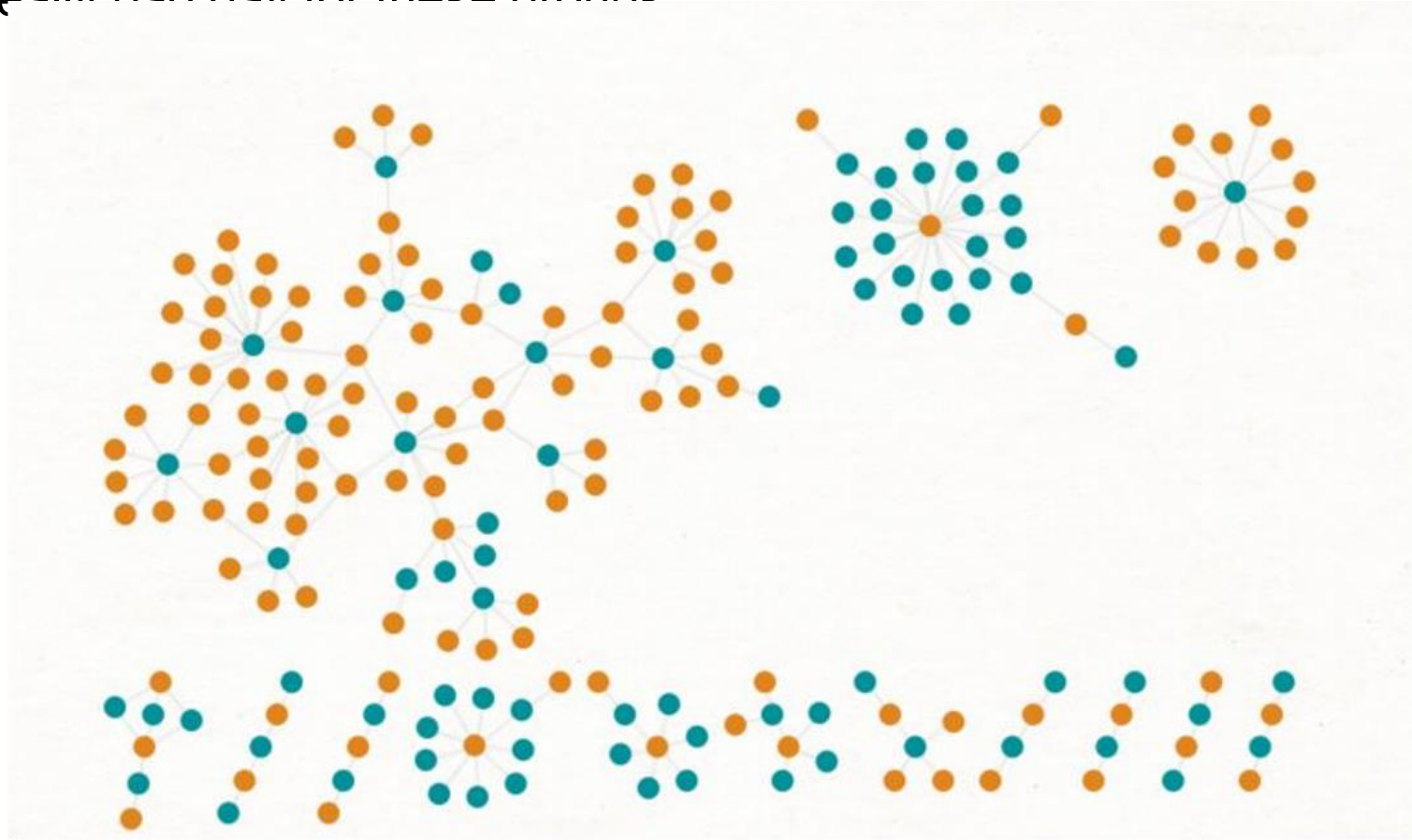
Outdated methodology and lack of knowledge contributes to our inability to maximize the disruption of the illegal activity.



In this example, An illicit network can be mapped using the merchant descriptor as the pivot point.

Maximum Impact Disruption

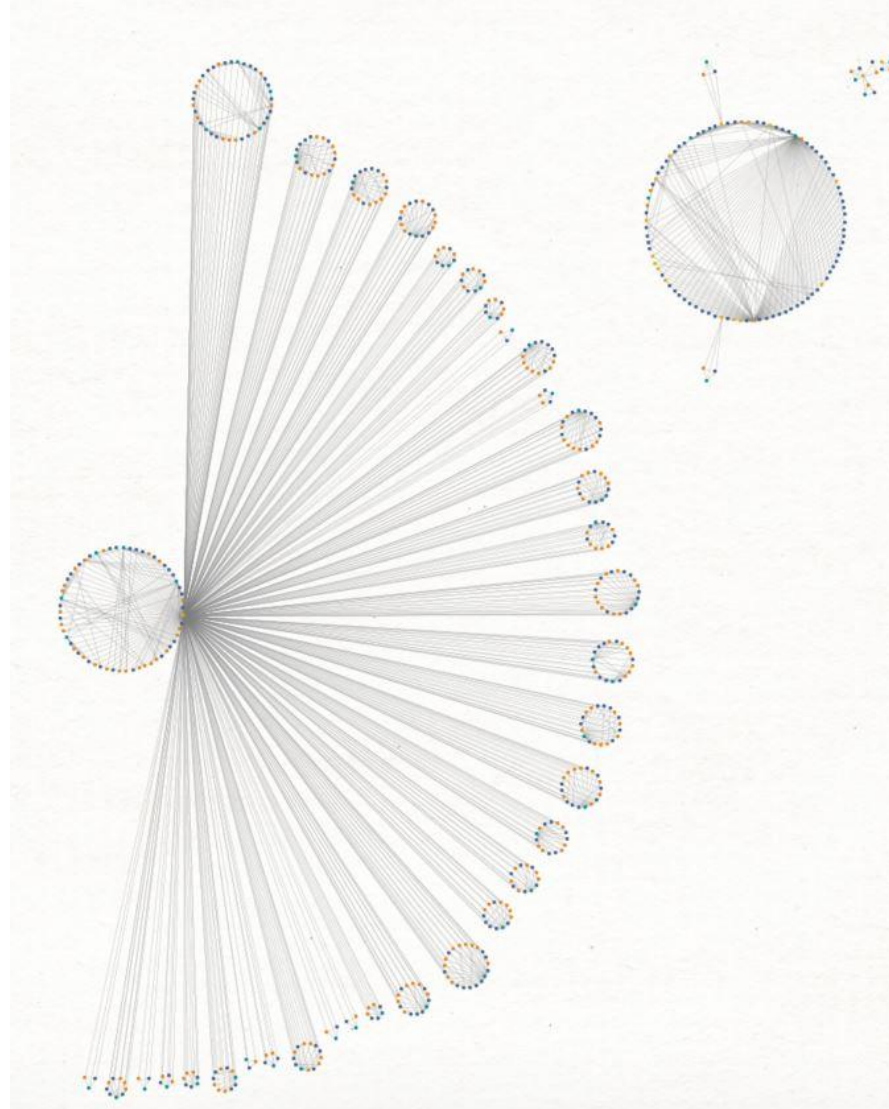
How to make it a really bad day for these groups



Actual example of Organic Relationship Profiling

Maximum Impact Disruption

Through profiling you can identify the Single Point of Failure for seemingly unconnected Illicit Websites





TracCC

THANK YOU

Email Traccc@gmu.edu to join our mailing list

traccc@gmu.edu

<https://twitter.com/TraCCCatGMU>

<https://www.linkedin.com/company/tracccatgmu/>

<https://www.facebook.com/TraCCCatGMU/>