



# GIABA

INTER-GOVERNMENTAL ACTION GROUP AGAINST  
MONEY LAUNDERING IN WEST AFRICA

## **Money Laundering/Terrorist Financing and the Smuggling of Goods in West Africa**



**GIABA REPORT**  
**AUGUST 2020**





The Inter-Governmental Action Group against Money Laundering (GIABA) is a specialized institution of ECOWAS and a FATF Style Regional Body that promotes policies to protect member States financial system against money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction. The FATF Recommendations are recognized as the global anti-money laundering (AML) and counter terrorist financing (CTF) standard.

For more information about GIABA, please visit the website: [www.giaba.org](http://www.giaba.org)

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**Citing reference:**

GIABA (2020), Research and Documentation Report, *Money Laundering/Terrorist Financing and the Smuggling of Goods in West Africa, Typologies Report*, GIABA, Dakar

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# LIST OF ACRONYMS AND ABBREVIATION

AML/CFT:	Anti-Money Laundering and Counter Financing of Terrorism
AQIM:	Al-Qaeda in the Islamic Maghreb
ASYCUDA:	Automated System for Customs Data
AU:	African Union
CTR:	Cash Transaction Report
ECA:	Economic Commission for Africa
ECOWAS:	Economic Community of West African States
FAFT:	Financial Action Task Force
FARC:	Colombian Revolutionary Armed Forces
FIU:	Financial Intelligent Unit
GATT:	General Agreement on Tariffs and Trade
GIABA:	Intergovernmental Action Group against Money Laundering in West Africa
IFF:	Illicit Financial Flows
INTERPOL:	International Criminal Police Organization
IRA:	Irish Republican Army
ISIL:	Islamic State of Iraq and the Levant
LIS:	Liberia Immigration Service
LRA:	Liberia Revenue Authority
ML/TF:	Money Laundering and Terrorist Financing
OECD:	Organization for Economic Co-operation and Development
STR:	Suspicious Transaction Report
UNODC:	United Nations Office on Drugs and Crime
URA:	Uganda Revenue Authority
WAEMU:	West African Economic and Monetary Union
WCO:	World Customs Organisation
WTO:	World Trade Organisation

## ACKNOWLEDGEMENT

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On behalf of the GIABA Secretariat, the Director General would like to acknowledge the support provided by the GIABA member States in the conduct of this study. GIABA is particularly grateful to the National Correspondents (NCs) and the resource persons in the 15 member countries for their invaluable cooperation during the field visits with the relevant stakeholders. The study would not have been conducted successfully without the proactive and constructive involvement of the ministries for trade, customs authorities, and security forces and above all without the effective ownership of the study's objectives and stakes by the Financial Intelligence Units.

GIABA would also like to recognize the exceptional collaboration of the private sector representatives and their associations (businesses/traders and facilitators / middlemen (i.e. drivers, vehicle hirers, community dwellers, and others)), whose finer sense of the com-

mon good and public interest has made it possible to collect the maximum of information on the extent and dynamics of smuggling and ML/FT as well as the incidences of these phenomena in ECOWAS member states.

We also wish to acknowledge the efforts of the individual team members of the project, who worked round the clock to ensure proper coordination and delivery of the Project, under the effective supervision of the Director of Policy and Research, Mr. Muazu Umaru, with Dr. Jeffery Isima (Principal Research and Planning officer) and Mr. Lansana Daboh (Research Officer) as team members. Other members of the research team worth acknowledging are Mrs. Mariame I. TOURE-DIAGNE, Mrs. Mairo Ladidi Ella and Mr. Idrissa OUATTARA.

**GIABA Secretariat**

## EXECUTIVE SUMMARY

1. This study was conducted by GIABA in order to explore the linkages of money laundering and terrorist financing (ML/TF) to the smuggling of good in West Africa. Goods smuggling is known to be a lucratively rampant criminal activity across the region that has defied law enforcement efforts over the past decades. However, while it is generally accepted that goods smuggling has become a serious transnational organised crime in the region, there has been no concern about the illicit financial proceeds that flow from the activity. This study was embarked upon to focus on such illicit proceeds and to explore the risks of ML/TF associated with the criminal activity. Hence, the study is not a regular typologies exercise, which typically builds on existing cases of ML/TF to establish trends and methods. In undertaking this study, data was collected from all 15 member States of GIABA. Questionnaires were administered and interviews held during visits to the countries by the GIABA research team.
2. According to the Nairobi Convention<sup>1</sup>, smuggling indicates a customs fraud consisting in concealing goods by any means across the customs border. The smuggling of goods within and across borders has emerged as a major threat to global economic growth and development. While the phenomenon is not new, it has reached an unprecedented level in terms of scope and intensity in recent decades and is threatening to erode much of the growth and developmental progress, particularly in developing and fragile countries. Specifically, goods smuggling undermines and undercuts key institutions, damages the environment, distorts or impedes economic growth, and fuels conflict.
3. In West Africa, cross-border trade has evolved over time mirroring the structures of the region's economies with both formal and informal trade thriving in tandem. Illicit trade in mostly manufacturing goods including tobacco and in the last decade petroleum from Nigeria continue to be the primary driver of smuggling in the region. The large informal sectors driven by cash; ethnic, religious and cultural ties; porousness of borders; the absence of government and governance in most of the long stretch known as smuggle zones; and the offing of small organized crime and terrorist cells purporting to provide security for such abandon areas, have been put forward as the enabling factors that made smuggling to thrive. In a more pronounce version, shipments and transshipments through trade hubs not just to landlocked countries but to countries with strict tariff controls have taken centre stage, resulting to plethora of methods of smuggling and increasing the cost of control measures, requiring more personnel and logistics to provide border security in official crossing, leaving the rest porous stretch to chance taken by anti-smuggling patrol periodically.
4. As the region continue to grapple with the complex problem of scaling up revenue generation and enforcement of anti-smuggling regulations, including AML/CFT and countering the financing proliferation of weapons of mass destructions, it is imperative to undertake a study on the extent and dynamics of smuggling and ML/TF, and the implication of the phenomena on the region.
5. In order to understand the legal and administrative arrangement of cross-border trade in West Africa, and the formal and informal trade structures comingle to promote smuggling on the one hand, and how they contribute to money laundering and terrorism financing on the other, the following questions were raised:
  - i) What are the customs arrangement with the introduction of the borders (delineation) by the colonialist?
  - ii) What are the legal and administrative structures that address WTO arrangement and best practices for trade liberalization and the removal of barriers?

<sup>1</sup> International Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offences, adopted in Nairobi on June 9, 1977



- iii) What are the existing challenges that are exacerbating smuggling and fuelling conflicts and ML/TF in West Africa?
- iv) What role can a common external tariff in a regional market play in combating smuggling, hence the opportunity for ML and TF? and
- v) What are the other regional policies that could inhibit smuggling and stop the proceeds from being laundered or used for terrorism purposes?

**6.** To answer the research questions or address the objectives of the study, the report is structured in the following five chapters. The first chapter being the introductory chapter gives the background to the study; the justification or the problem the study has put forward; the objective in the form of research questions that the study attempts to answer; and the methodology that has to do the approach adopted to conduct the study and answer to the research questions. The rest of the report is made of four other chapters, with chapter two reviewing the literature on the links between the ML/TF and the smuggling of goods. Chapter three presents the trends and methods of smuggling in West Africa, while chapter four showcase the preventive and enforcement efforts and practices in the region. Finally, chapter five concludes and make recommendations on how smuggling can effectively be tackled in the region.

**7.** The review of literature focuses on the analysis of smuggling in the context of criminality and violence broadly. In doing so, there is a deliberate attempt to focus on general merchandise and leave out the specific issues of trafficking (of drugs, arms, humans, migrants, etc.). Moreover, GIABA has already conducted focused studies on drug trafficking, human trafficking, trafficking in small arms and trade in counterfeit pharmaceuticals. It would therefore be repetitive to include those issues of trafficking in this study.

**8.** Drawing from the literature, the project team conducted a mapping exercise on the links between the smuggling of goods and money laundering and

terrorist financing in order to understand the trends and methods use to smuggle goods in West Africa. The mapping looked at five key factors over four levels of activity clusters, ranging from the types of goods (the scope of goods does not include arms and ammunition, and narcotics drugs), the actors involved, the channels use for smuggling, the enablers or motivating factors, and then finally, the flow of funds or the financial flows.

**9.** As the methods and trends of smuggling evolved, so as customs and other border officials have devised new mode of operations to combatting the scourge. The control measures before now have been mostly administrative, including seizure and forfeiture, however, with most countries criminalising smuggling and recognising as a predicate offence, there are attempts by customs officials making referrals to specialised AML/CFT agencies to pursue the ML and TF investigation and prosecution of detected smuggling cases.

**10.** The fight against smuggling has been a tough one particularly for Nigeria and the trio landlocked countries of Burkina Faso, Mali and Niger. These countries have long unmanned stretches of borders and even worse is the case of operating separate custom borders different from the countries territorial borders (particularly so for Mali and Niger). Consequently, the smugglers in these countries are employing the services of small terrorist cells and militias to give them safe passage and provide security when necessary.

**11.** The impact of smuggling is not just limited to the socioeconomic cost to the region but the loss of lives of public officials in the line of duty. In addition, although, it has not been establish with a proven case provided here in the report, however, there are circumstantial evidence of customs officials, particularly the anti-smuggling squad in the Sahel corridor being attacked by armed militia groups purported to be given cover to smugglers. There are instances of the military mistaken anti-smuggling squad on covert operation for mili-



tia where the latter comes under friendly fire and lives being lost. In most instances the smugglers will be the one to alert the military knowing well these are customs officials on covert operation to arresting them.

**12.** Finally, there are a host of challenges bedeviling the fight against smuggling, including lack of awareness, knowledge on the effect of the scourge, frontline officials not adequately train and equipped for the job, the public and border communities are not well informed on the issues of smuggling and its debilitating consequences.

**13.** Based on the finding and conclusion of the study, the following recommendations for policy actions are hereby put forward:

## National Level

- Show Political will and provide leadership in the fight against the scourge;
- Criminalise goods smuggling as a predicate crime to ML/TF (in line with the FATF Recommendation 3);
- Organize awareness raising among populations on the impact of money laundering arising from smuggling of goods on local development, livelihoods and opportunities. Involve community leaders and local government in the mechanisms for detecting and reporting smuggling and related ML/TF activities;
- Establish a consultation framework between the structures in charge of smuggling issues and the implementation of the recommendations that will be formulated during this consultation framework;
- FIU should provide training awareness among relevant stakeholders, including customs, financial institutions and DNFBPs on risks associated with businesses established for the purpose of smuggling;
- Establish AML/CFT units within Customs (and other border agencies), where they do not exist, and capacitate them to undertake parallel financial investigations on cases of grand smuggling and fraud in cross-border trade, and build ML/TF cases for prosecution;
- Effectively prosecute offenders by imposing stiffer sanctions on smugglers and their collaborators;
- Increase co-ordination between FIU and Customs, as well as relevant competent authorities (such as police investigators) to increase the exchange of knowledge, informal exchanges of information and co-ordination for large-scale smuggling cases in order to address the ML/TF related aspects. Train customs to pick up on signs, clues and information during seizures to hand over for eventual parallel financial investigations;
- Strengthen inland tax control to establish the link between physical stocks of goods and import documents. To this end, develop a risk-based inspection regime of bonded warehouses to prevent customs fraud;
- Implement the provisions of the signed “WTO Trade Facilitation Agreement,” including relevant provisions, such as modern inspection equipment, automated systems, advance commercial information, etc.

## Regional and International

- Countries should work together to share information in a pro-active manner on financial intelligence matters related to persons/entities that are suspected of being involved in large-scale smuggling operations or customs fraud/excise fraud;
- Harmonise and standardise all tariff lines across the region in line with the ECOWAS common external tariff to undercut the incentive for smuggling;
- Enforce the ECOWAS trade liberalisation scheme to promote regional trade and market;
- Provide a framework upon which the gathering and sharing of financial intelligence can be improved on;
- Engage in training and sensitisation to ensuring that the fight against smuggling is not done in isolation, but in tandem with AML and CFT;
- Establish a framework for collaboration and consultation between the different regional actors in the fight against smuggling and ML/TF;
- Establish an interstate customs corridor that will effectively track the flow of receipts from goods across borders.

# CHAPTER ONE:

## INTRODUCTION

### 1. BACKGROUND

- 14.** The smuggling of goods within and across borders has emerged as a major threat to global economic growth and development. While the phenomenon is not new, it has reached an unprecedented level in terms of scope and intensity in recent decades and is threatening to erode much of the growth and developmental progress, particularly in developing and fragile countries. Specifically, goods smuggling undermines and undercuts key institutions, damages the environment, distorts or impedes economic growth, and fuels conflict.
  - 15.** In West Africa, the extent of goods smuggling is extremely pervasive, albeit the lack of definitive figures on the scale of the phenomenon. The smuggling of stolen oil is particularly pronounced in the region. In November 2011, Benin's finance minister acknowledged that more than three-quarters of the fuel consumed there was illegally imported from Nigeria. In Togo, population of 6 million, a 250-litre barrel sells for \$300, a small fortune in a country where about two-thirds of the population live in poverty. Some smugglers and local dignitaries have reaped generous rewards, and "micro-petro-states" have sprung up on either side of the border between Togo and Benin, where "local officials are largely independent of national law and its enforcement".
  - 16.** Despite the scale of the smuggling, the authorities have done little to stop it. Street vendors watch out for police raids, which are sometimes violent, but carry on selling the fuel in broad daylight. Corruption is not the only explanation. The racket is a serious problem for governments, but
- a source of work for many people, and benefit all those who use the cheap fuel – the price is 15% to 30% less than in Togo's licensed filling stations. To stop such a flourishing trade is unthinkable in a country where the informal economy is predominant – accounting for more than 70% of jobs in sub-Saharan Africa, according to the International Labour Organisation. On the other hand, this illegal business entails a net loss for the already constrained budgets of these countries.
- 17.** Parallel imports are also an important form of cross-border trade, especially for Benin. A very large proportion of many agricultural and manufactured goods consumed in Benin are produced in Nigeria. Petroleum products in particular are almost entirely smuggled in from Nigeria, motivated by the subsidized prices in that country. In some cases, manufactured goods produced in Nigeria are more competitive than imports from Asia, particularly since they escape duties when smuggled. There is also substantial unrecorded trade in locally-produced agricultural commodities in the region.
  - 18.** In West Africa, another form of cross-border trade that leads to smuggling is re-export and are a major contributor to government revenues, especially in The Gambia and Benin, because imported goods destined for re-export generally pay duties when entering the country before being smuggled out. The growth of the re-export business is not only favored by attractive tax conditions, but above all by the existence of a merchant diaspora with the capital and sufficient experience to take advantage of the

border situation of the markets. Consequently, the revenues from trade taxes are even more important for these two countries than for most other African countries, accounting for about half of the tax revenues of both countries.

**19.** Differences in import barriers and in trade facilitation services are the most important determinants of re-export trade. These differential trade policies, in turn, grow out of divergent development strategies. Also, the re-export trade straddles the formal and informal sectors in a highly complex and well-organized system that operates quite similarly in different countries. Re-exports start with large formal enterprises that import goods through official channels and a sophisticated distribution chain that then transships through informal mechanisms. Re-exports are a major contributor to government revenues, given that goods are imported legally prior to being re-exported unofficially. This trade rests on a fragile foundation, however, and is unlikely to be conducive to long-term development given its dependence on the protectionist trade policies of its neighbours and its underground character.

**20.** The extent of goods smuggling in West Africa is due to a multiplicity of interlocking factors. Prominent among these factors are the existence of extensive trade routes within and across borders, strong trade relations between communities, and strong ethnic and religious ties uniting people across the borders. Also, the phenomenon is underpinned by numerous governance challenges that have long bedevilled the region: uncoordinated and often highly interventionist policies, particularly with regard to trade policies; weak state institutions, which undermine the effectiveness of the enforcement of these policies, and widespread corruption; inability of governments to control movements of people and goods across these artificial borders.

## 2. THE PROBLEM

**21.** The West Africa region has a long history of illicit cross-border trade in mostly manufacturing goods including tobacco and in the last decade petroleum from Nigeria. The large informal sectors driven by cash; ethnic, religious and cultural ties; porousness of borders; the absence of government and governance in most of the

smuggle zones; and the offering of small organized crime and terrorist cells purporting to providing security for such abandon areas, have been put forward as the enabling factors that made smuggling to thrive. In a more pronounced version, some countries have positioned themselves as trading hubs ('entrepot States'), providing re-export mostly to landlocked countries and countries with stiffer customs regimes (Golub, 2012).

**22.** In all of the above arrangements, there are winners and losers. While the public sectors lose in terms of revenue, the informal sector is creating employments and incomes. More notably, while re-export countries increase their revenue, landlocked and countries with stiffer tariff measures suffer revenue loss. Above all there is a net loss to the region in terms of revenue and it also serves as a recipe for the promotion of organized crime and money laundering and terrorism financing.

**23.** As the region continues to grapple with the complex problem of scaling up revenue generation and enforcement of anti-smuggling regulations, including AML/CFT and countering the financing proliferation of weapons of mass destructions, it is imperative to undertake a study on the extent and dynamics of smuggling and ML/TF, and the implication of the phenomena on the region.

## 3. THE RESEARCH QUESTIONS

**24.** In order to understand the legal and administrative arrangement of cross-border trade in West Africa, and the formal and informal trade structures coming together to promote smuggling on the one hand, and how they contribute to money laundering and terrorism financing on the other, the following questions were raised:

- vi) How far has cross-border trade evolved considering regional trade before the colonial era?
- vii) What are the customs arrangements with the introduction of the borders (delineation) by the colonialist?
- viii) What are the legal and administrative structures that address WTO arrangement and best practices for trade liberalization and the removal of barriers?

- ix) What are the existing challenges that are exacerbating smuggling and fuelling conflicts and ML/TF in West Africa?
- x) What role can a common external tariff in a regional market play in combating smuggling and ML and TF? and
- xi) What are the other regional policies that could inhibit smuggling and stop the proceeds from being laundered or used for terrorism purposes?

## 4. METHODOLOGY

**25.** The study was conducted by staff of the Policy and Research Directorate of GIABA Secretariat and involved three phases. Phase one involved desk review of literature and other secondary information, while phase two involved field visits where questionnaires were administered and interviews were conducted, and supporting documents collected, and phase three involved putting the report together. During the field work, the team visited relevant government agencies dealing with issues of goods smuggling, notably the customs service at their national head offices, airports, seaports and prominent land border crossings. The team also held meetings with immigrations services, chambers of commerce, revenue authorities and private sector actors with experience in the areas of goods consignment and ML/TF. The team employed questionnaires, face-to-face interviews, focused group discussions and direct observation to gather relevant data for the study.

**26.** Both quantitative and qualitative information were gathered and analysed as presented in this report. In some case, questionnaires, were administered ex-ante, followed by on-site interviews, both with individuals and groups (Focus Group Discussions). The Director of Policy and Research provided quality control, including ensuring that activities are carried out in full compliance with the study work plan.

**27.** In terms of scope, the survey covered all the fifteen (15) member States in West Africa (Benin, Burkina Faso, Cabo Verde, Cote d'Ivoire, the Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and

Togo). The study lasted for twenty four (24) months, from November 2017 to October, 2019.

**28.** The field visit started in Nigeria, where the research team met with senior customs officials at the customs head office in Abuja, the Murtala Mohammed International Airport in Lagos, the Apapa Port in Lagos, and the Seme border post (bordering the republic of Benin). Other stakeholders interacted with in the country were the Financial Intelligence Unit, the immigration service, the Lagos Chamber of Commerce, and the Centre for Counter Fraud Awareness. In Benin, the team held meetings with customs and immigrations officials at the Krake border (with Nigeria), the Hilla Condji border (with the republic of Togo), the Cotonou airport and Sea Port. Meetings were also held with national revenue authorities, the Chamber of Commerce, officials of the Financial Intelligence Unit, officials of association of transporters, and those of the association of loaders.

**29.** In Togo, meetings were held with border officials (customs and immigration) at the Sanvee Condji border (with Benin), the Lome airport and the Aflao border (with the republic of Ghana). Meetings were also held with officials of the Financial Intelligence Unit, the National Revenue Agency, the Association of Transporters, and Association of Loaders. In Ghana, meetings were held with customs and immigration officials at the Aflao border (with Togo), the Tema Sea Port, and the Kotoka Airport in Accra and the border post (with Cote d'Ivoire). Other agencies met with include the Financial Intelligence Centre and the Chamber of Commerce. The last country to be visited during the first phase of field work is Cote d'Ivoire. Like the other countries, the research team met with customs and immigration officials at the Ebulo border (with Ghana), the Felix Houphet Boigny Airport in Abidjan and the Abidjan Sea Port. The Team held meetings with the officials of the Financial Intelligence unit, and the Association of Transporters.

**30.** The second league of the field visit started with Senegal where the team met with customs and border officials in Rosso, the border with Mauritania and the Karang border (with the Gambia). Meeting were held with the Blaise Diane International Airport at Dias and Sea Port

in Dakar. The team held meeting with chamber of commerce, the financial intelligence unit and the ministry of commerce. In Liberia, the team held meetings with the senior officials of the Liberia Revenue Authority (LRA), the Immigration Service (LIS), the chamber of commerce, the transnational crime unit and the patriotic entrepreneurs of Liberia for trade and economic development. The visited and held discussions with customs and other border official in the Ganta border (with Guinea) and Bo-Waterside border (with Sierra Leone). In Sierra Leone, the team had meetings with the national revenue authority, chamber of commerce, the FIU and the ministry of trade and industry. The team visit and held meetings with customs officials at the Queen Elisabeth Quay Sea port in Freetown, the Lungi International airport and the Gbalamuya border (with Guinea).

**31.** The team visited the rest of the West African countries of Burkina Faso, Cabo Verde, Guinea, Guinea Bissau, Mali and Niger in the months of September and October, 2018 and finally, the Gambia in December, 2018. The team visited similar competent authorities, particular the customs, visits to the customs headquarters, airport, seaport, and at least two land border posts.

**32.** Some of the limitations of the study include delay in data collection which affected the data quality and completeness. In some of the responses provided, it was difficult to come to a conclusion on what the data represents – progress or otherwise. As in most of the studies conducted in the region, keeping to schedule is often difficult. However, the time factor was mitigated through extensions granted to the project team.

**33.** The above chapter being the introductory chapter, gives the background to the study; the justification or the problem the study has put forward; the objective in the form of research questions that the study attempts to answer; and the methodology that has to do the approach adopted to conduct the study and answer to the research question. The rest of the report is made of four other chapters, with chapter two reviewing the literature on the links between the ML/TF and the smuggling of goods. Chapter three presents the trends and methods of smuggling in West Africa, while chapter four show case the preventive and enforcement efforts and practices in the region. Finally, chapter five concludes and make recommendations on how smuggling can effectively be tackled in the region.



# CHAPTER TWO:

## LINKS BETWEEN GOODS SMUGGLING AND MONEY LAUNDERING/TERRORIST FINANCING IN WEST AFRICA: REVIEW OF THE LITERATURE

**34.** The focus of this study is a relatively new area of inquiry, and existing works specifically analysing the nexus between the smuggling of goods and the crimes of money laundering and terrorist financing (ML/TF) are scanty. Given this predicament, the review focuses on the analysis of smuggling in the context of criminality and violence broadly. In doing so, there is a deliberate attempt to focus on general merchandise and leave out the specific issues of trafficking (of drugs, arms, humans, migrants, etc.). Moreover, GIABA has already conducted focused studies on drug trafficking, human trafficking, trafficking in small arms and trade in counterfeit pharmaceuticals. It would therefore be repetitive to include those issues of trafficking in this study.

### GLOBAL

**35.** The concept of smuggling has not enjoyed a single universally accepted definition. In general, smuggling of goods can be defined in a strict sense that focuses on illegal movement of goods across borders; or broadly to encompass all activities involving the circumvention of customs duties on goods at the border or remotely. In this report, goods smuggling is used in its broad sense to include all activities to circumvent tariffs during cross-border trade.

**36.** The Uganda Revenue Authority (URA) has provided a very useful insight on the broad range of illicit trade activities that can be subsumed under commodity smuggling. These activities include: outright avoidance of official customs control across the borders (overland on road,

rail and often through the bush ways, generally associated with highly marketable goods, goods of high tax value, and prohibited or restricted goods; under-declaration (declaration of less quantity on importation documents than the actual goods being imported); undervaluation (declaration of a lower value than the goods actually have); misclassification (declaration of goods under a different class of imports, particularly to attract lower tax rates with intent to reduce the tax liability); falsification (tampering with documents pertaining to certain goods in their particulars with intent to benefit the taxpayer by a reduction in tax); mis-declaration (declaration of a different country as the source of goods instead of the correct country of origin); and short-landing transit and/or re-export (goods eventually end up in the market of the transit country, leading to total evasion of taxes and other controls).

**37.** All of the above methods require such intensive logistics that only transnational criminal organizations involved in illicit trade activities have the core competency to execute such (Basu, 2013). As Interpol (2014, 16) observes, transnational smuggling involves the clandestine transportation and conveyance of illicit goods across borders, involving novel, flexible, stealthy logistics methods, assets, and systems in order to avoid the risk of detection and apprehension.

**38.** Smuggling is an activity engaged in to make financial gains, involving the purchasing of goods in low-price jurisdictions and reselling them in high-price jurisdictions. Yet, because smuggling seeks to circumvent customs duties, it undermines

government tax revenues and is considered as a crime in all jurisdictions. Smuggling of goods is, therefore, a financial crime and is listed by the Financial Action Task Force (FATF) as predicate offence to money laundering and terrorist financing (ML/TF), and is identified by the Mbeki Report as one of the sources of illicit financial flows in Africa (AU/ECA 2015, 9).

- 39.** Apart from the loss of revenue to government, other evils associated with smuggling include market price distortion, collapse of local industries, unemployment, increased insecurity and loss of lives (Uganda Revenue Authority, 2015).
- 40.** Earlier analysis of smuggling observes that the phenomenon is as old as the history of customs duties, and has varied (both in violence and scale) directly as the application of duties has changed. Historically, smugglers are opportunistic criminal entrepreneurs who exploit market regulations for financial gains. Interpol (2014, 16) demonstrates that prohibition or restriction on trade in certain commodities often creates economic incentives and opportunities for illicit trade activity and smuggling.
- 41.** Existing studies on goods smuggling that have implications for ML/TF situate the phenomenon in the context of wider analysis of transnational organized crime. Joossens et al (2000), differentiates between two predominant methods of smuggling – bootlegging and wholesale smuggling. Bootlegging involves the legal purchase of tobacco in one country but consumption or resale in another country without paying applicable taxes or duties. This method usually employs moving goods over relatively short distances, such as neighbouring countries. Under such circumstances, considerable price differentials across jurisdictions create incentives for bootlegging. Wholesale smuggling involves the sale of goods without the payment of the applicable taxes or duties, even in the country of origin. According to Joossens et al (2000), this method involves the illegal transportation, distribution, and sale of large consignments of goods, generally avoiding all taxes. This type of smuggling usually involves long distance transportation of the goods, often involving large organized crime networks and sophisticated systems for distributing smuggled goods at the local level.
- 42.** Sadly, illicit trade and commodity smuggling have grown rapidly in recent times. It has been observed that the total value of illicit trade doubled between 2008 and 2015, rising from \$650 billion to \$1,700 billion, owing to a number of factors, not least, economic liberalization, the global financial crisis, explosion of counterfeit or pirated goods and the growth of parallel markets (CAT, 2016; 1). With reference to generation of illicit proceeds for money laundering, tobacco, particularly of cigarettes, stands out as the most smuggled products across time and space.
- 43.** Criminals smuggle cigarettes by any means available, including personal vehicles, luggage, postal services, boats, cargo trains, donkeys and shipping containers (Meltzer, 2010). The European Union's illicit market for tobacco products is estimated to stand between EUR 7.8 billion and EUR 10.5 billion annually, while the Middle East and Africa showed the largest growth in volume of illicit cigarettes over the 5-year period (2009 – 2014) (Transcrime, 2015; European Commission 2008).
- 44.** In terms of establishing the relationship between commodity smuggling and money laundering, wholesale smuggling of tobacco products provides a most useful insight. Keen observes that organized crime syndicates have significant involvement in wholesale smuggling of cigarettes (BAT, February 16, 2000; Joossens et al, 2000; von Lampe, 1999).
- 45.** The OECD (2016, 124) noted that illicit trade in tobacco is a chain of illegal activities that may include unlicensed production, smuggling, fraudulent marketing and tax evasion, often requiring money laundering, corruption, various frauds and related crimes, to move the illicit goods and money through various transit and financial systems. Money laundering and the related criminal schemes provide smugglers with significant financial proceeds, most of which are moved to offshore accounts, whereupon the money is used for other purposes (FATF, 2012). Unfortunately, as the World Customs Organisation (WCO, 2013) has remarked, in spite of the established links with money laundering across the globe, many customs authorities do not investigate money laundering related to illicit tobacco trade and focus instead on the smuggling itself, for various reasons.

**46.** Some other studies have explored the relationship between smuggling and terrorist financing. Interpol (2014) observes how known terrorist organisations were observed to have engaged in the smuggling of tobacco and fuel to fund their violent activities during the Irish war. Other studies have also showed that, apart from the Irish Republican Army (IRA), other designated terrorist organisations across the globe relied very much on goods smuggling for funding. For instance, ETA (clothing and handbags), FARC (CDs), Hezbollah (cigarettes and brake pads), Hamas (cigarettes), Al Aqaeda (textiles and CDs) and its affiliates (cigarettes) have been associated with smuggling (OECD, 2016; UNIFAB, 2016: 12-18; CAT, 2016). There is also abundant evidence that a substantial part of ISIL funding had come from smuggling of cigarettes, oil, cash, gold, mobile phones and other valuable items (l'Express, 2015; FATF 2015). ISIL engage in Oil smuggling from controlled areas to neighbouring countries through long-established routes and local black markets, relying on autonomous profit-motivated smuggling networks operating in the border areas of Syria (FATF 2015: 4-34).

**47.** In particular, illicit trade in tobacco has been associated with risks of insecurity in fragile states. Shelley (2009) and Melzer & Martin (2016: 124) agree that proceeds from illicit trade in tobacco are often reinvested to finance further criminal activities, including extortion, bribery and weapons trafficking, terrorism and insurgencies. AQIM reaps enormous profits, either by charging 'tax' for the safe passage of cigarettes or by facilitating the transport (Doward, 2013).

**48.** Several globally notorious individuals and organisations are closely involved in smuggling tobacco in the region. Warlords in the Sahara have engaged in cigarette smuggling across the Sahel to finance activities under the banner of the Signed-in-Blood Battalion (Lacher, 2013) and have also been associated with several lucrative hostage-taking operations in Algeria, including the capture of employees at a natural-gas plant in January 2013 (Jenkins, 2013; BBC, 2015). Cigarette smuggling is, therefore, a significant source of revenue for illicit actors, accounting for about 80% with an estimated market value of USD 774 million (UNODC, 2009).

## WEST AFRICA

**49.** A few studies have been conducted on commodity smuggling in West Africa, from which deductions can be made on the prevalence, nature and direction of the crime as it relates to ML/TF in the region. Much of these studies situate the phenomenon in the context of wider analysis of transnational organized crime in the region (Addo 2006; Alemika 2013; Vorrath 2013; AU 2014; UNODC 2013). In the absence of confirmed statistics, it is known that Smuggling is pervasive in the region, involving formal and informal operators and practices in which ethnic and religious networks play a large role in organizing the informal sector (Mbaye, 2014), not least because many communities and cities have strong dependence on smuggling as a livelihood strategy (OECD: 14).

**50.** It is already known that the usual goods are cocoa, timber, ivory and petroleum products, which are smuggled along the Côte d'Ivoire, Ghana, Togo, Benin, Nigeria and Burkina Faso corridor. It is also known that, while the usual culprits are ordinary businessmen and women, rebels and criminal gangs involved in armed conflict in the region have sometimes been implicated in the activity (Addo, 2006: 4). The Sahel smuggling routes also serve as a thoroughfare for certain imported goods, such as cigarettes into West Africa (Shaw and Reitano, 2014), although the Sahel routes have been undermined by the collapse of the Libya state with the increased likelihood of shipments entering directly through North African ports (OECD IFF 78).

**51.** Other commodities smuggled in the region include stolen goods (e.g. motor vehicles) and other counterfeit or substandard goods, household goods, electrical appliances and brand-name luxury goods (OECD IFF 85; WCO 2013). The most popular destinations for vehicles are Ghana, Gambia and Nigeria (Golub, 2012). In 2013, Togo, Côte d'Ivoire, Benin and Nigeria accounted for more than 56 million counterfeited items seized in one year, ranking in the top-15 countries worldwide in terms of intellectual property-rights infringement (WCO, 2013; Interpol 2015, 85). While coastal states such as Gambia, Benin and Togo facilitate smuggling to landlocked countries (Golub, 2012), Benin and Togo compete to smuggle vehicles into Nigeria (INTERPOL, 2014c).

**52.** Newer evidence now points to the possibility of oil and cigarette smuggling financing terrorist (TF) activities in the region. While the links between oil theft and TF are still potential, it is reported that designated terrorist organisations have been involved in trafficking of smuggled cigarettes across the Sahara desert (Vanguard, 2014), where the success of the leader of an Al Qaeda affiliate, Mokhtar Belmokhtar, in cross-border trafficking of counterfeit cigarettes earned him the notorious nickname “Mr. Marlboro” (Le Figaro 2015). It is also now known that the value of Asian-made cigarettes smuggled through West Africa to North Africa is worth approximately \$750 billion (FATF-GIABA-GABAC, 2016: 25). In a region where terrorist activities have become bolder within the last decade, this huge volume of cigarette smuggling is a critical concern that requires urgent attention.

**53.** Even where there is no evidence of West Africa-based terrorist groups directly smuggling cigarettes, it is known that smugglers of cigarette also use routes controlled by terrorists and militants to exact ‘protection fees’ from the smugglers (FATF-GIABA-GABAC, 2016: 21-25). Thus, smugglers and terrorists may enter into mutually reinforcing business relationship, where

their interests do not conflict. However, the risk level is likely to rise sharply where their interests coincide, as terrorists may contract fundraising functions out to independent smugglers or recruit them into their cells as active members for the purpose of raising money.

**54.** Faleye (2014) has made a distinction between informal smuggling, involving legal goods, including contrabands such as clothes, which contribute to the wellbeing of the masses of the society, and the criminal trafficking of illegal goods, which threaten national security (Faleye 2014). However, as pointed by (Vorrath 2013), the dividing line between informal and criminal business is extremely blurred. This is more so in West Africa where the preponderance of economic activity takes place in the informal sector. Hence, as Vorrath (2013) insists, the step from legal to illegal activity is small and not necessarily perceived as such by those involved, such that smuggling activities are legitimate in the eyes of local populations, heightening the risk transnational organized crime groups and terrorists can making use of existing informal trade networks and routes. In such context, as Vorrath (2013) insists, it is particularly hard to identify where informal practices end and (organized) criminal activities begin.

# CHAPTER THREE:

## ANALYSIS OF TRENDS AND METHODS OF SMUGGLING

**55.** Drawing from the literature, the project team conducted a mapping exercise on the links between the smuggling of goods and money laundering and/or terrorist financing in order to understand the trends and methods used to smuggle goods in West Africa. The mapping looked at five key factors over four levels of activity clusters, ranging from the types of goods

(the scope of goods does not include arms and ammunition, and narcotics drugs), the actors involved, the channels use for smuggling, the enablers or motivating factors, and then finally, the flow of funds or the financial flows. The matrix below represent the detailed relationship of these key five activity clusters to the various levels of sub cluster items, from level 1 to 4.

Activity Cluster	Level 1	Level 2	Level 3	Level 4
1. Goods	• Food	• Agricultural • Manufactured	• Grubs/Feeds • Drinks • Smoke	• Licit • Illicit • Band/stolen
	• Household Items	• Regional product • International Product	• Furniture • Utensils • Equipment	• Licit • Illicit • Band/stolen
	• Vehicles	• New • Used	• Direct import • Re-export	• Licit • Illicit • Band/stolen
	• Luxury & Precious items	• Regional product • International Product	• Jewellery • Art • Raw treasure	• Licit • Illicit • Band/stolen
	• Oil & Gas	• Crude • Refined	• Use of force • Concealment	• Licit • Illicit • Band/stolen
2. Actors	• Normal traders	• Nationals • Strangers • foreigners	• Residents • Non residents • Dual/multiple citizens	• Under reporting • Under invoicing • Tax invasion
	• Professional smugglers	• Drivers • Vehicle hirers • Imposters	• Residents • Non residents • Dual/multiple citizens	• Concealment • Illegal protection • border porosity
	• Facilitators	• Customs officials • Law enforcement	• Poor tax administration • Inconsistent policy	• Fraud • corruption • bribery
		• Local communities	• Inadequate infrastructure • Conflict of interest	

Activity Cluster	Level 1	Level 2	Level 3	Level 4
<b>3. Movement &amp; Border Crossing</b>	<ul style="list-style-type: none"> <li>Land</li> </ul>	<ul style="list-style-type: none"> <li>Border post</li> <li>Informal/parallel crossing</li> </ul>	<ul style="list-style-type: none"> <li>Vehicles</li> <li>Motor bikes</li> <li>Human/Manual carriers</li> </ul>	<ul style="list-style-type: none"> <li>Concealment</li> <li>Illegal protection</li> <li>border porosity</li> </ul>
	<ul style="list-style-type: none"> <li>Sea</li> </ul>	<ul style="list-style-type: none"> <li>Sea port</li> <li>Informal/parallel port</li> </ul>	<ul style="list-style-type: none"> <li>Shipment</li> </ul>	<ul style="list-style-type: none"> <li>Under reporting</li> <li>Under invoicing</li> <li>Tax invasion</li> </ul>
	<ul style="list-style-type: none"> <li>Air</li> </ul>	<ul style="list-style-type: none"> <li>Airport</li> <li>Informal/parallel port (conflict zone)</li> </ul>	<ul style="list-style-type: none"> <li>Shipment (cargo)</li> <li>Accompanied</li> </ul>	<ul style="list-style-type: none"> <li>Under reporting</li> <li>Under invoicing</li> <li>Tax invasion</li> </ul>
<b>4. Enablers / Motivating factors</b>	<ul style="list-style-type: none"> <li>Source</li> </ul>	<ul style="list-style-type: none"> <li>Regional market</li> <li>International market</li> </ul>	<ul style="list-style-type: none"> <li>Formal markets</li> <li>Informal/parallel markets</li> </ul>	<ul style="list-style-type: none"> <li>Corruption/bribery</li> <li>Under invoicing/ reporting</li> <li>Concealment/ tax evasion</li> </ul>
	<ul style="list-style-type: none"> <li>Medium</li> </ul>	<ul style="list-style-type: none"> <li>Means of transport</li> <li>Multiple possible transit &amp; crossing</li> </ul>	<ul style="list-style-type: none"> <li>Formal means</li> <li>Informal/parallel means</li> </ul>	<ul style="list-style-type: none"> <li>Corruption/bribery</li> <li>Under invoicing/ reporting</li> <li>Concealment/ tax evasion</li> </ul>
	<ul style="list-style-type: none"> <li>Destination</li> </ul>	<ul style="list-style-type: none"> <li>Local market</li> <li>Regional market</li> <li>International market</li> </ul>	<ul style="list-style-type: none"> <li>Formal markets</li> <li>Informal/parallel markets</li> </ul>	<ul style="list-style-type: none"> <li>Corruption/bribery</li> <li>Under invoicing/ reporting</li> <li>Concealment/ tax evasion</li> </ul>
<b>5. Financial flows</b>	<ul style="list-style-type: none"> <li>Licit financial flows</li> </ul>	<ul style="list-style-type: none"> <li>Formal and legal</li> <li>Informal and legal</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
	<ul style="list-style-type: none"> <li>Illicit financial flows</li> </ul>	<ul style="list-style-type: none"> <li>Informal and illegal</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>



- 56.** To further understand the trends and methods of smuggling in the region, the team conducted interviews and administered questionnaires to State agencies and institutions on the one hand, and business entities (involved in cross-border trade) and other private sector facilitators of cross-border trade. An analysis of the responses received are presented below.
- 57.** According to the responses, smuggling, particularly goods smuggling is as old as the introduction of tariff in official cross-border trade in West Africa. Before the 1960s, a period when most West African countries gained independence, the colonial masters of Britain, France and Portugal were responsible for managing the economies of West African States including tariffs and cross-border trade policies. Formal cross-border trade, which were mostly done by shipments and transshipments mostly to and from colonial countries and the colonies they control (on a bilateral basis), was rigid, marred with barriers to multilateral trade. For the trio landlocked countries of Burkina Faso, Mali and Niger in the region, as all happen to be French colonies, transshipment were done through neighbouring French coastal colonies of Cote, d'Ivoire, Guinea, Mauritania and Senegal. It is worth noting that for West African countries along the coast, 90 percent of trade that goes across borders are till date going through the sea port and via shipments and transshipments. There is less than 0.5 percent of cross border trade being transacted through the airport and via plane, particularly in volume terms, this is however, not peculiar to West Africa.
- 58.** Post-colonial era trade has evolved a lot with the advent of trade liberalization and multilateral trade arrangement moving from the GATT arrangement to the current WTO arrangement that discourage trade barriers and embargoes in the name of protectionism. Also, West Africa has benefitted from the regional policies adopted within ECOWAS (since 1975) and WAEMU (since 1994) member States to promote regional trade. Some notable examples is the introduction of the free movement of people and goods as a community, common external tariffs and recently the trade liberalization scheme which recognised countries of origin as a way of promoting industrialization and value added goods to gain market in the region and for regional manufacturing companies to be able to compete with the rest of the world. These policies have resulted into several West African member States attracting many free trade zones, manufacturing and targeting the region's market of over more than 300 million customers.
- 59.** Cross border trade that occurs both at the sea and air ports of entry are less susceptible to physical smuggling, therefore, smuggling can occur mostly by improper declaration. Although there are different interpretation of such unseemly (under or over) declaration in different jurisdictions, notably Anglophone and Francophone countries, however, the evolution in customs practices in the region are all frowning at such method.
- 60.** In Anglophone West Africa, goods smuggling is both physical (undeclared) and otherwise (improperly declared), while in the Francophone sense, improper or wrong declaration is referred to as fiscal fraud, but not smuggling. The argument is that goods are not only smuggled for fiscal (tax) purposes just as embargoes and non-tariff barriers are not solely place for fiscal purposes. There are both monetary and non-monetary motivation for control measures that may inform such policy decision and can be security, protectionism, etc. Therefore, there is always a lesser consequence meted to legal or natural persons guilty of fiscal fraud including under or over declaration of goods at border crossing (entering or leaving the country), compared to that of smuggling where goods are not declared whether through official or non-official borders.
- 61.** At least an estimated 90 percent of the goods physically smuggled, go through land border crossing (official and non-official) and account for three-fourth of the smuggling taken place in the land border crossing. Physical smuggling is largely due to border porosity, inability or the lack of capacity of border patrol and anti-smuggling squad to effectively surveillance the unofficial routes used by smugglers, as well as historical and socioeconomic factors, such as the issue of pre-colonial trade across present-day borders trade being communal among homogeneous groups.

- 62.** On the other hand, though technical smuggling (as referred to under and over declaration in some part of the region), also occur in land border crossing, it however, account for the bulk of the smuggling that occurs in the air and sea ports of entry. It is worth noting that physical smuggling do occur through the air and sea ports of entry, but happen on rear occasions at the official ports of entry due to lapses in control measures or insider dealings, compromising detection. There are also instances where illegal and unknown aircraft are used for smuggling purposes, and similarly, illegal activities occur on the high seas, resulting to physical smuggling.
- 63.** In the last two decades, the region amidst crises had made a lot of progress in terms of improving on trade facilitation and the much-needed infrastructure to ease trade. There has been progress also on the revenue collection and anti-smuggling measures. The introduction of tracking measures to prevent goods meant for transit to neighbouring countries get to their destination without hitches and even discussing the possibility of neighbouring countries, particularly the landlocked countries to collect duties or be collected on their behalf on goods declared in any of the neighbouring coastal countries as being the destination country. The collected duties shall be remitted upon providing evidence of the arrival to the destination country. This will eradicate the issue of goods on transit missing there way, with either the goods are partly or wholly find their way back in the country or smuggled into the said destination country partly or wholly, or end up in a third country for the same reason of smuggling. In short, though the phenomenon remains, however, both external trade level (regional and the rest of the world) and revenue generated from cross border trade have increase.
- 64.** Another trend that is worth noting is that custom officials have classified and categorised smuggling of goods into 'grand smuggling' and 'petit smuggling', where petit smuggling has to do with border activities on a small scale for either consumption purposes or petty trading within the border community. The approach is like a risk-based one, where in control measures are geared towards smuggling of scale or large-scale smuggling. This practice is popular at land border crossing, most of which have communities that are communal and inseparable with homogenous people across the border.
- 65.** In doing so, customs officials and the border community people have to engage each other periodically, to strike a deal, agreeing that, goods in small scale and for consumption purposes shall be allowed across the border, for the benefit of the community. The officials will then recruit informant among the community people to help enforce anti-smuggling. The informant are useful not only to detect community people being recruited by smugglers to carry their goods across the border in several small bits and pieces, leveraging on petit smuggling, they do also alert the anti-smuggling squad of other suspicious activities at unofficial crossing route.
- 66.** Therefore, grand smuggling can either use unofficial use to avoid declaration, or use the official crossing route but wrongly declaring or use the service of border community to structurally carry the goods across. The most dangerous of all the methods of smuggling is those use by smuggling gang, mostly armed in some countries and using unofficial route to conduct their operations. These type of smuggling are common in the Sahel routes particularly the trio landlocked countries which custom borders are different from and form a subset of the territorial borders of the country. The same methods of smuggling also occur in the territorial waters in most of West Africa, particularly, the gulf of Guinea.
- 67.** Although all of West African countries have anti-smuggling squad, those that are most prone to attack and the risk of death are those of Burkina Faso, Cote d'Ivoire, Ghana, Guinea, Mali, Niger and Nigeria. The anti-smuggling squads of these countries although very vigilant compared to the other countries, but face higher threats from smuggling gangs who are very militant and organised in nature. The activities of these smuggling gangs are not unconnected with organised criminals, militia and terrorist groups in the region. It is highly likely that grand smugglers are hiring the services of these militia and terrorist groups to facilitate and provide protection for their high net worth smuggling goods, like cigarette in the Sahel and petroleum product in the Gulf of Guinea. Hard drugs like tramadol also falls under this trend.
- 68.** The table below shows the goods that are mostly smuggled into countries of the region. The goods that forms the bulk of smuggling are cigarette, pharmaceuticals, cosmetics and petroleum products, while the goods that are mostly smuggled outside the countries of the region are agricultural

products (cocoa, cashew, etc.), petroleum products, metals, cosmetics and gold. The types of goods differ from country to country.

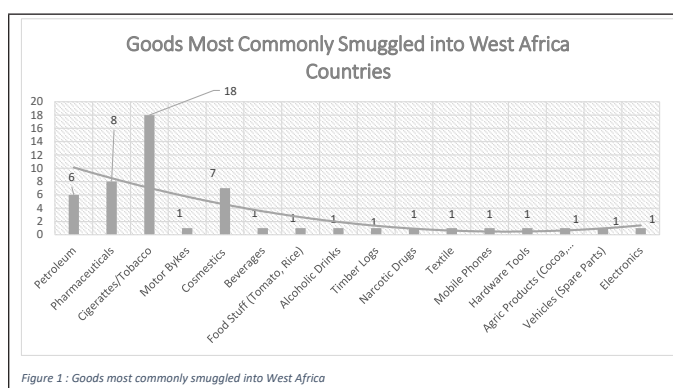


Figure 1 : Goods most commonly smuggled into West Africa

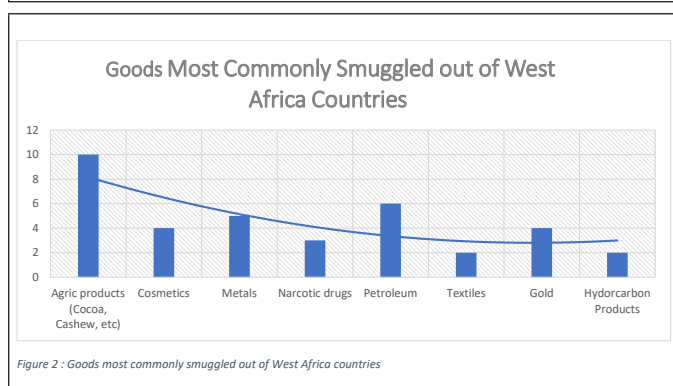


Figure 2 : Goods most commonly smuggled out of West Africa countries

as smuggling contributes to supporting militia and terrorist activities although the report has no substantiated case to report, as only Nigeria is purported to having a case link to ML/TF but not at the level of customs. The risks of ML/TF have far-reaching consequences to the State and on the economy as well.

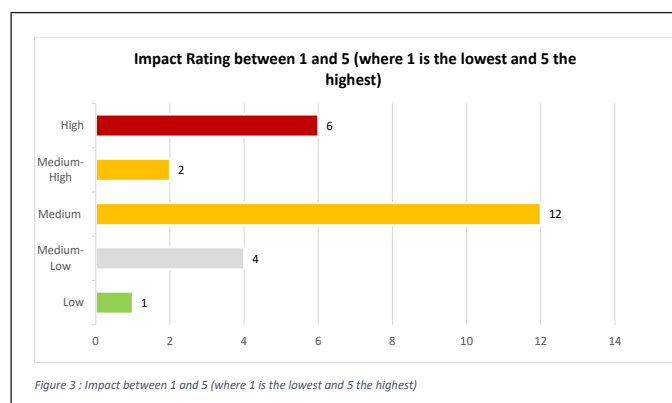


Figure 3 : Impact between 1 and 5 (where 1 is the lowest and 5 the highest)

**69.** When it comes to agricultural products, gold and metals, and goods manufactured in the region, price differentials plays a great role in determining the direction of trade. A second factor is export duty differentials, particularly for goods meant for re-exports outside the region. For trade within the region, the export of one country is an import to the other country. As smuggling follows trade, a good smuggled into a country must have been taken or smuggled out of a neighbouring country. It is worth noting that most exports do not attract duties, while almost all imports, except on rare cases, are subjected to tariff, therefore, the burden of anti-smuggling is squarely on the country of import (receiving end).

**70.** Countries responses to the impact of smuggling on their economies have been overwhelmingly (80%) rated at medium, medium high and high, meaning the loss of revenue to government and what those funds could accomplish in providing the much needed social amenities and infrastructure and strengthening government agencies cannot be overemphasized. Apart from the revenue loss to the country, it is a security concern,

**71.** The knowledge of the private sector on the notion of cross border trade and in relation to smuggling and money laundering and terrorist financing, were rated between medium, medium high and high, though further interaction does not depict that, particularly, when responding to how smuggling is or can be related to money laundering and terrorist financing. Most of the private sector players were able to relate trade occurring in the informal sectors as a major driver of smuggling.

**72.** Responses from the private sector also point out to the fact that price and tariff differential contributes to smuggling, but also mentioned that restriction on the importation/exportation of certain goods leads to smuggling. It is no gainsay that prohibited goods and goods that attract high tariffs are the most smuggled. They are in total agreement on the types of goods that makes the lists of most commonly smuggled in the region.

**73.** In conclusion, businesses and facilitators are looking forward to engage with competent authorities for a closer collaboration to address issues of market distortion and elimination or the introduction of more flexibilities on the side of public officials when posing unwarranted entry barriers and restrictions to trade. It is evident that, the need for awareness on the dangers and effect of smuggling and more over money laundering and terrorist financing associated with smuggling.

# CHAPTER FOUR:

## PREVENTIVE AND ENFORCEMENT EFFORTS AND PRACTICES

- 74.** As discussed in the literature and following from the methodology described in chapter One (1), smuggling occurs because there is external or cross border trade. There are several public sector agencies and institutions that are directly or indirectly implicated in cross border trade and the fight against smuggling. As mentioned earlier, the research team engaged the various border officials at recognised air, sea and land entry points to the countries, particularly the customs. The team also, discussed with the principal public agencies that responsible to facilitate and promote trade, such as the ministry of trade / commerce and the chamber of commerce in all the countries. An analysis of the responses from the various agencies on the preventive and enforcement measures, as well as the good practices in place are presented in this chapter.
- 75.** In response to the role of agencies/institutions and the legislative instruments or laws that mandate or guide their operations, the chamber of commerce in the regions have been established as earlier as 1908 and the ministries have been in existence since independence. Customs arrangement and their full establishment is comparatively recent in the 1960s and 70s. However, the customs in the various countries have gone through various reforms with a revisions to the legal instruments that guide their operations and some of these laws or instruments are as recent as 2013, 2014 to 2017. Although the legislations are clear on the principal mandates of these institutions, particularly the customs acts, the frontline officials themselves have very little or no knowledge on what constitute smuggling, whether it is a criminal or civil offence and forms part of the predicate offences enlisted by the country in its AML/CFT law.
- 76.** Even in instances where the official policy directives of the agency is to consider smuggling as criminal offence and a predicate crime to money laundering, the frontline officials hardly treat it so, either because the awareness of such policy has not trickle down or officials that are to treat as such have not the capacity (training and otherwise) to do so. Even in the countries of Ghana, Nigeria and Senegal that have attempted to treat smuggling cases as such, customs officials will at best refer the cases to lead ML/TF enforcement agency of the country.
- 77.** In terms of the processes and procedures to clearing or forwarding steps leading to final import / export/ crossing of goods, similar practices are adopted in the region requiring declaration, including submitting bill of lading, invoice, packing list, proof of origin, TIN number, etc. However, what is not clear and is another factor that exacerbate smuggling, is the fact that, amidst all this, tariff disclosure is still a myth in most countries. Customs officials are quick to refer to their annual custom code, and in some countries this codes are subject to revision as the customs revenue targets changes. This can happen in any time of the year. The ministry of finance, in tandem with the executive, is responsible for setting or revising these targets. While the code, a bulky booklet, is publish once a year after the countries budget process, the revision is hardly publish or communicated to the public.
- 78.** Some countries mentioned the use of the ECOWAS common external tariff (CET) codes in determining tariffs, although this is true in some cases, such tariffs are only upheld when revenue targets for that code is not in contradiction with governments. The responses also, threw light on the all-inclusive nature of the process of tariff determination and how it is communicated to all stakeholders. However, some contradicted by saying, the private sector are not carried along and the information does not get to all the players.



**79.** Although there is more to do in terms of outreach for all will be stakeholders to get to know how and where to access tariff and other customs and trade information, it is worth noting that some of the countries have made tremendous progress, compared to others in the region, on transparency of tariff determination and making such information public to all stakeholders.

**80.** The publication of the yearly custom code is not widely done and only clearing and forwarding agents and big enterprises / business, who mostly owned such clearing and forwarding agencies, are privilege to have access to these texts. Small and medium enterprises / business, and first timers (new entrants) are usual not aware of their tariff obligations until they find themselves going through the process of clearing (import goods) or forwarding (export goods). The process resulting to either some SMEs either abandoning their goods that will soon attract extra charges for exceeding the period the goods can stay for clearing /forwarding (demurrage). Some start-ups and SMEs died on arrival at this stage and while others are advice otherwise to not expose themselves to the uncertainty that comes with such experience. In order to avoid these uncertainty, most start-up and SMEs finds themselves either compromising with clearing / forwarding agents or veteran smugglers or even public officials who shall ask for some fees to navigate you through the process of physical or technical smuggling.

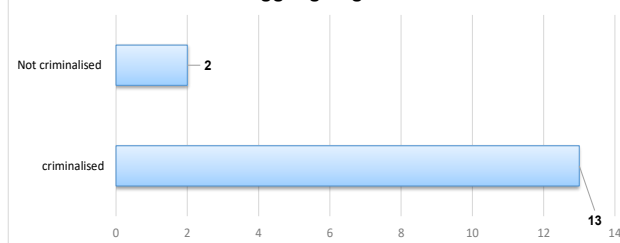
**81.** In response to revision and reforms the customs have gone through, it is true that member States customs have improve on their transaction period of processes, form declaration to the clearing / forwarding of goods. The one stop window of processing and reduction of number of approval levels and introduction of ASYCUDA++ or ASYCUDA World and introduction of paperless process is contributing to the ease of doing business without compromising control measures at the various point of entry. However, this is more focus towards reducing the transaction period and enhancing securing, there is need to also improve on public knowledge of prevailing tariffs and awareness on how total import duties due for the

clearing / forwarding of a particular consignment to ensure transparency. It is worth noting also, that although steps are underway to improve the clearing / forwarding processes in the land border crossing points to be in tandem with what prevail in the sea ports in particular, member States who are yet to take actions in this direction are encourage to start soon.

**82.** Most member States alluded to the fact that the WTO arrangement and best practices for trade liberalization and the removal of barriers informs policy decision to what prevails in particular the ministry of trade / commerce, the chamber of commerce and current customs setup.

**83.** On the issue of criminalising the smuggling of goods, the responses have been mixed, with most of the countries alluding that smuggling is a crime, but for some with a caveat that if the good in question is prohibited or classified as dangerous. There are countries whose yes refers to instances of undeclared goods as that is what their definition of smuggling is limited to. In most of these countries, such criminalization have not translated into treating the available cases as predicate offence, requiring parallel investigations and prosecutions, thereby possibly securing ML or TF convictions as related to smuggling.

**Figure 4.1: Countries that have criminalized smuggling and/or illegal trade and particularly smuggling of goods**

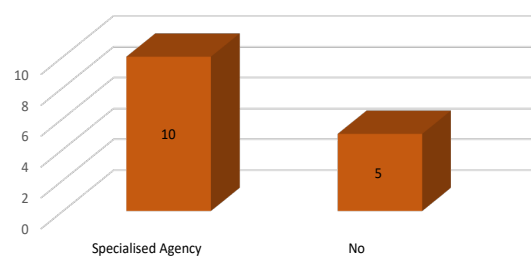


**84.** In line with whether countries have specialised agency set up by law to detect and investigate cases of smuggling of goods, most countries with the exception of Benin, Cabo Verde, Liberia, Mali

and Senegal, clearly responded in the affirmative. Whether the response is influenced by the respondents' lack of understanding about what a specialised institution to investigate smuggling cases mean, is another thing, but these responses also point to the fact that most customs officials know very little about the new provisions they have in their laws and other laws of the country that give competent authorities including then to detect and investigate smuggling of goods in particular. The anti-smuggling units of the customs of member States were set up as a result of these provisions and this is not limited to the customs, but also the police have similar powers. In reality, these responses reflect the way things are being treated by frontline officials in member States. Remember, that once an intelligence or information, with potential criminality that will result into ML/TF and possible financial flows, is neglected at the frontline where these suspicious activities occur, we will continue to record no ML or TF investigation, prosecution and conviction related to these predicate offences that are occurring in the region.

- 85.** The follow up response to that of the issue of an existing specialised agency to detect and investigate the smuggling of goods further exposed the fact that public officials including customs either where not clear about what the response should be or interpreted the question to mean a stand-alone agency with the single mandate to detect and investigate the smuggling of goods. In the response, all of those that say no to the existence of a specialised agency with the responsibility to detect and investigate the smuggling of goods, cited the customs, police, the FIU and other law enforcement agencies when asked of other agencies that undertake such activities. The essence of the question was to throw light on the fact that though countries have existing laws that permits them to investigate and prosecute smugglers, they often time however, stop at administrative sanctions and fines rather than court actions. In addition, even where investigations are carried out resulting to prosecution, the ML and TF aspect is not taken on-board, i.e., there are no parallel investigation undertaken during the investigations of smuggling cases.

**Figure 4.2: Countries with specialized agency set up by law to detect and investigate cases of smuggling of goods**



- 86.** When asked whether the specialised agency that detect and investigate the smuggling of goods, have commensurate powers to investigate for ML and TF arising from the smuggling of goods, the response was mixed and inconsistent within countries, therefore the analysis was looked at from respondents' view and not country. From the chart below, 17 out of 34 responses received say the specialised institutions have the commensurate powers to investigate ML and TF while the other half is saying otherwise. These also speak volume about the issue of public officials not very knowledgeable about development in the AML/CFT regime of the country.

**Figure 4.3: Specialized agency with commensurate powers to investigate ML and TF arising from the smuggling of goods**

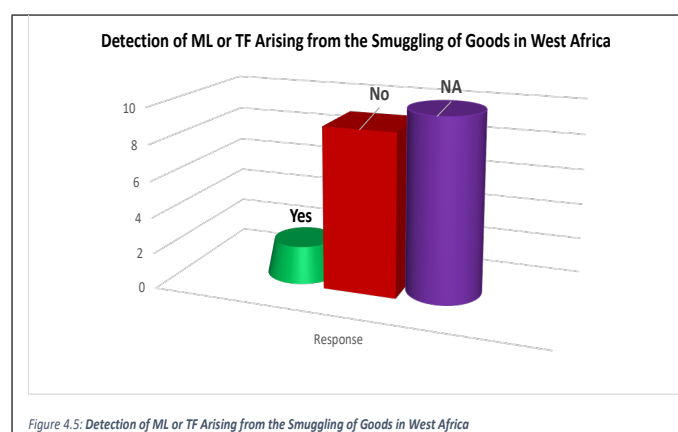


- 87.** The follow up responses on whether other competent authorities that are specialised in investigating ML/TF arising from the smuggling of goods, exist within the country was an overwhelming yes, referring mostly to the FIU, the police and other specialised anti financial and/or economic crime agencies in the region.



**88.** In the area of enforcement framework in place including coordination arrangement among agencies, particularly those at the border, the response is mix. The officials seems to have foster and promote informal relationship which is translated into coordination at the operational level and this defer from one country to another and from one border post to another. There is hardly any justification of coordination at the strategic level and the responses were not clear on the existence of a strategic enforcement framework including how to cooperate and collaborate with other agencies, therefore, the operational level coordination is on personal bases and is informal and mutual, and such cooperation changes as the leadership at that post changes.

**89.** In response to providing cases of smuggling with possible link to ML/TF, referrals were made to the custom headquarters in Ghana and Nigeria, the rest of the countries either do not respond to the question or return a 'no' and 'not applicable' response.



**91.** Customs officials particularly in the land borders have not been free from violent attack. Although, terrorism or terrorism financing has not been establish with a proven case provided here in the report, however, there are circumstantial evidences of customs officials, particularly the anti-smuggling squad in the Sahel corridor being attacked by armed militia groups purported to be given cover to smugglers. There are instances of the military mistaken anti-smuggling squad on covert

operation for militia where the latter comes under friendly fire and lives being lost. In most instances the smugglers will be the one to alert the military knowing well these are customs officials on covert operation to arresting them.

**91.** In conclusion, there are enormous challenges that frontline officials grapple with in the line of duty. The following are the key challenges outlined:

- There are extensive unmanned and porous land borders all over the region and even where you have border posts, the geographical positions are challenging. This is worse in Nigeria and the trio landlocked countries of West Africa;
- Inadequate staffing in most of the border crossing, most of which lack the capacity and logistics to detect and investigate instances of smuggling;
- Knowledge and training facility on AML/CFT is for a selected few;
- Lack of cooperation from the public, including border communities;
- Smugglers are mostly ignorant of the fact that smuggling is a crime;
- Intra and inter agency collaboration is very low;
- Lack of modern tools like scanners and sniffer dogs for effective inspection;
- Loss of lives of official to combatant smugglers;
- Lack of cooperation amongst border officials to share intelligence across the border;
- Lack of cooperation from member States to fully implement the common external tariff in the region;
- Lack of STRs/CTRs and financial intelligence on proceeds of smuggling;
- Low public awareness about the danger and effect of smuggling, etc.

# CHAPTER FIVE:

## CONCLUSION AND RECOMMENDATIONS

### CONCLUSION

**93.** In West Africa, cross-border trade has evolved over time mirroring the structures of the region's economies with both formal and informal trade thriving in tandem. Illicit trade in mostly manufacturing goods including tobacco and in the last decade petroleum from Nigeria continue to be the primary driver of smuggling in the region. The large informal sectors driven by cash; ethnic, religious and cultural ties; porousness of borders; the absence of government and governance in most of the long stretch known as smuggle zones; and the offing of small organized crime and terrorist cells purporting to providing security for such abandon areas, have been put forward as the enable factors that made smuggling to thrive. In a more pronounce version, shipments and transhipments through trade hubs not just to landlocked countries but to countries with strict tariff controls have taken centre stage, resulting to plethora of methods of smuggling and increasing the cost of control measures, requiring more personnel and logistics to provide border security in official crossing, leaving the rest porous stretch to chance taken by anti-smuggling patrol periodically.

**93.** As the methods and trends of smuggling evolved, so as customs and other border officials have devised new mode of operations to combatting the scourge. The control measures before now have been mostly administrative, including seizure and forfeiture, however, with most countries criminalising smuggling and recognising as a predicate offence, there are attempt by customs officials making referrals to specialised AML/CFT agencies to pursue the ML and TF investigation and prosecution of detected smuggling cases.

**94.** The fight against smuggling have been a tough one particularly for Nigeria and the trio landlocked countries of Burkina Faso, Mali and Niger. These countries have long unmanned stretches of borders and even worse is the case of operating separate custom borders different from the countries territorial borders (particularly so for Mali and Niger). Consequently, the smugglers in these countries are employing the services of small terrorist cells and militias to give them safe passage and provide security when necessary.

**95.** The impact of smuggling is not just limited to the socioeconomic cost to the region but the loss of lives of public officials in the line of duty. In addition, although, it has not been establish with a proven case provided here in the report, however, there are circumstantial evidence of customs officials, particularly the anti-smuggling squad in the Sahel corridor being attacked by armed militia groups purported to be given cover to smugglers. There are instances of the military mistaken anti-smuggling squad on covert operation for militia where the latter comes under friendly fire and lives being lost. In most instances the smugglers will be the one to alert the military knowing well these are customs officials on covert operation to arresting them.

**96.** Finally, there are a host of challenges bedeviling the fight against smuggling, including lack of awareness, knowledge on the effect of the scourge, frontline officials not adequately train and equipped for the job, the public and border communities are not well informed on the issues of smuggling and it debilitating consequences.

## RECOMMENDATION

**97.** Based on the finding and conclusion of the study, the following recommendations for policy actions are hereby put forward:

### NATIONAL LEVEL

- Show Political will and provide leadership in the fight against the scourge; Criminalise goods smuggling as a predicate crime to ML/TF (in line with the FATF Recommendation 3); Organize awareness raising among populations on the impact of money laundering arising from smuggling of goods on local development, livelihoods and opportunities. Involve community leaders and local government in the mechanisms for detecting and reporting smuggling and related ML/TF activities;
- Establish a consultation framework between the structures in charge of smuggling issues and the implementation of the recommendations that will be formulated during this consultation framework;
- FIU should provide training awareness among relevant stakeholders, including customs, financial institutions and DNFBPs on risks associated with businesses established for the purpose of smuggling;
- Establish AML/CFT units within Customs (and other border agencies), where they do not exist, and capacitate them with human and material resources to undertake parallel financial investigations on cases of grand smuggling and fraud in cross-border trade, and build ML/TF cases for prosecution;
- Effectively prosecute offenders by imposing stiffer sanctions on smugglers and their collaborators;
- Increase co-ordination between FIU and Customs, as well as relevant competent authorities (such as police investigators) to increase the exchange of knowledge, informal exchanges of information and co-ordination for large-scale smuggling cases in order to address the ML/TF related aspects. Train customs to pick up on signs, clues and information during seizures to

hand over for eventual parallel financial investigations;

- Train and sensitize customs officials on the identification of ML/TF offenses and the link to smuggling as a predicate offense;
- Strengthen inland tax control to establish the link between physical stocks of goods and import documents. To this end, develop a risk-based inspection regime of bonded warehouses to prevent customs fraud;
- Implement the provisions of the signed “WTO Trade Facilitation Agreement,” including relevant provisions, such as modern inspection equipment, automated systems, advance commercial information, etc.

### REGIONAL AND INTERNATIONAL

- Countries should work together to share information in a pro-active manner on financial intelligence matters related to persons/entities that are suspected of being involved in large-scale smuggling operations or customs fraud/excise fraud;
- Harmonise and standardise all tariff lines across the region in line with the ECOWAS common external tariff to undercut the incentive for smuggling;
- Enforce the ECOWAS trade liberalisation scheme to promote regional trade and market;
- Provide a framework upon which gathering and sharing of financial intelligence can be improved on.
- Engage in training and sensitisation to ensure that the fight against smuggling is not done in isolation, but in tandem with AML and CFT;
- Establish a framework for collaboration and consultation between the different regional actors in the fight against smuggling and ML/TF;
- Establish an interstate customs corridor that will effectively track the flow of receipts from goods across borders.

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## RAPPENDIX

### QUESTIONNAIRE 1:

#### Study on Money Laundering and Terrorist Financing arising from the Smuggling of Goods in West Africa

Responding Country \_\_\_\_\_

Contact information:

The essence of the contact information is to enable us reach out to the person responsible for the coordination of responses to this questionnaire when there is need for clarification.

Name	
Title\Position\Organisation	
Contact number	
E-mail	

### QUESTIONNAIRE ITEMS

Customs/Immigrations/Securities

1. Please describe the specific role of your agency/institution and outline any legal or legislative instruments that mandate and guide its operations in your country? Please provide supporting documents, if any.

**2. How has cross-border trade in your country evolved since independence?**

**3. What are the customs processes and procedures (clearing and forwarding steps leading to final import/export/crossing)?**

**4. How often have you revised the customs import/export arrangement? Please specify.**

**5. What are the legal and administrative structures that addresses the World Trade Organization (WTO) arrangement and best practices for trade liberalization and the removal of barriers?**

**6. How transparent is the process of determining tariffs and to what extent businesses / traders have foreknowledge of such import/export tariffs?**

**7. Has the country criminalized smuggling and/or illegal trade and particularly smuggling of goods? If so, please, provide the legal history and nature of prohibition**



- 8. Does your country have a specialized agency set up by law to detect and investigate cases of smuggling of goods?**

- 10. Where (8) above is NO, which law enforcement agencies, or other government or regulatory authorities are involved in detecting and investigating cases of smuggling of goods?**

- 11. Where (8) above is YES, which other law enforcement agencies, or other government or regulatory authorities are involved in detecting and investigating cases of smuggling of goods?**

- 12. Does the specialized agency has commensurate powers to investigate money laundering and terrorist financing arising from the smuggling of goods?**

- 13. Where (11) above is YES, do you have other specialized law enforcement agencies or other government authorities investigating money laundering arising from the smuggling of goods? Please, explain**

- 14. Where (11) is NO, do you have other specialized law enforcement agencies or other government authorities investigating money laundering arising from the smuggling of goods? Please, explain**

15. What are the enforcement frameworks in place, including coordination arrangement among agencies?

16.... What actions have been taken, in the last 5 years, to combat the smuggling of goods in your country particularly in relation to combatting money laundering and terrorist financing?

17. Is smuggling (including smuggling of goods), a predicate offence for money laundering? Please specify and highlight where this is mentioned in the most recent AML and/or CFT law of the country.

18. Taking into consideration the level of informal trade, amount of money loss to smuggling and the unrecorded import/export, to what extent does illegal trade and smuggling of goods impact on your country? Please, rate such impact between 1 and 5 (where 1 is the lowest and 5 the highest). Also, support your rating with examples.

19. Please, list the goods that are most commonly smuggled into your country

20. Please, list the goods that are most commonly smuggled out of your country

21. Has your country detected instances of money laundering or terrorist financing arising from the smuggling of goods? If so, please provide case examples. Do you consider the cases illustrative (common) or exceptional (uncommon)?

**22. Please indicate in the table below, case details of all seizures of illegal trade and smuggling of goods that have occurred in your country from 2012 to present date. Responses should focus on illegal trade and smuggling of goods that have aspect of ML/TF incidences.**

*(Please add additional rows to the table, as appropriate.)*

Year	Types of goods	Direction (inward or outward)	Origin of products / smuggling route (if known)	Location of seizure	Quantity	Estimated amount involved	Most frequent methods of detection (including STR or tip-off)?	Number of people arrested	Number of people prosecuted	Nationalities of offenders	Age range of offenders	Range of the Socio-economic status of offenders	Conviction	Range of sentences (Imprisonment and fines)

**20. What are the key challenges you face with regards to enforcing controls against illegal trade and smuggling of goods (including obstacles to conduct money laundering and terrorist financing /investigations and prosecutions)?**

**21. In your opinion, how can smuggling be effectively tackled?**

**22. In your opinion, how can a common external tariff in a regional market facilitate the combating smuggling and associated money laundering and terrorist financing?**

**23. What other regional policies do you believe are or can inhibit smuggling and stop the proceeds from being laundered or used for terrorism purposes?**

**24. Provide any other recommendation or information that you consider will to be helpful in tackling smuggling in the ECOWAS region.**

**Thank you very much for your support. It is well appreciated by GIABA.**

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### **Secrétariat du GIABA**

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