



Fighting Illegal Trade Requires Greater Collaboration

Chad Wolf

For many Americans, illicit trade and transnational crime are the stuff of Hollywood movies or the latest mini-series on their favorite streaming platform. But the reality is that illicit trade is impacting the economy and safety of communities in Florida and around the country.

The massive scope of these crimes and the criminal networks that operate them can make them particularly difficult to combat, but a comprehensive approach that includes public policy, law enforcement and the private sector can put a sizeable dent in their operations.

Organized Retail Crime Threatening Communities

One of the most visible ways Americans are seeing the regrettable growth in illicit trade is through the growth in organized retail crime. Organized retail crime is the large-scale theft of retail goods for the purpose of reselling the items for profit. For criminals, this has become an increasingly popular activity because the stakes can be relatively low, and the profits can be incredibly high.

If caught, many involved in organized retail crime may face nothing more than a misdemeanor charge of shoplifting. In many jurisdictions, prosecutors may not charge them at all. In addition, the growth of internet sales platforms has made it easier than ever to sell stolen goods online.

A Florida Retail Federation Survey in 2021 showed that [69 percent of their members](#) had seen an increase in organized retail crime over the course of the year, and this activity impacts retailers of all shapes and sizes. In August, three masked men suddenly began [smashing jewelry cases](#) at a store in a Tampa shopping mall, scaring shoppers and fleeing with roughly \$100,000 in stolen goods. At the same time, drug stores around the country have responded to surges in shoplifting by [putting products](#) like deodorant, toothpaste and laundry detergent under lock and key. Ironically, the impact of making retail shopping less convenient is that more shoppers are likely to start buying these products online.

The sale of illegal or counterfeit goods hurts taxpayers as well. In 2021, retail thefts in Florida alone totaled \$4.5 billion and [cost state taxpayers more than \\$427 million](#)

in state and local taxes. That's less funding for local initiatives like schools, roads and even law enforcement.

Pandemic Fueled Rise in Illegal Trade, But Provided a Framework to Fight It

The COVID-19 pandemic and ensuing supply chain shortages exacerbated the problem of illegal trade, but it also may have provided us with the best path to fighting it. The pandemic led to a spike in demand for medical supplies like N95 respirator masks and personal protective equipment (PPE). When suppliers could not meet demand, criminals and counterfeiters swooped in to sell fraudulent products, including medicines and pharmaceuticals.

As Secretary of Homeland Security at the time, I saw criminals making illegal profits and America's first responders and patients being put at risk. In response, DHS published the first of its kind report, "Combating Trafficking in Counterfeit and Pirated Goods." The report outlined the steps the government and private sector could take to combat these practices. Then, we acted.

To prioritize these efforts, the Department of Homeland Security launched Operation Stolen Promise. This operation brought together law enforcement and private sector partners to identify and shut down the financial fraud, counterfeiting and online scams that were thriving during the pandemic.

In its first year alone, Operation Stolen Promise [led to the seizure](#) of more than \$48 million in illicit profits, and the capture of more than 2,000 fraudulent shipments of medical supplies, including 21.2 million

counterfeit respirator masks. The success of the operation led to the launching of Operation Stolen Promise 2.0, which has been focused on countering the threat of fraudulent vaccines and medical treatments. In total, the [operations have led](#) to 362 arrests, more than 3,100 seizures and the analysis of more than 84,000 COVID-19 related websites.

Operation Stolen Promise was a comprehensive strategy built on four pillars.

- **Partnership.** DHS began building new partnerships and leveraging existing relationships with law enforcement and the private sector. This included coordinating activities with other federal agencies and engaging with foreign law enforcement and customs officials. It also included engaging with experts at the companies and financial institutions who can help better identify fraudulent products and the channels through which they were being sold.
- **Investigation.** Illicit trade frequently crosses borders and jurisdictions, so it is critical that law enforcement is organizing its investigative efforts. Utilizing actionable intelligence gained through its partnerships, Operation Stolen Promise helped ensure that the appropriate federal agencies were leading investigations into illicit activities including global trade, cybercrime, and financial fraud.
- **Disruption.** Once investigated, authorities moved quickly to dismantle these criminal networks and arrest the people

responsible for them. This included seizing counterfeit medical supplies or pharmaceuticals and taking down the illicit websites and other online marketplaces where they were being sold.

- **Education.** Educating the public on how to avoid fraudulent products and illicit networks was a key goal of Operation Stolen Promise. Criminals were working to make their products look as authentic as possible, so authorities worked to provide the public with tools to better spot the red flags associated with counterfeit goods. These education efforts included close coordination with private sector partners whose expertise and reach could help further expand the campaign.

The primary lesson of Operation Stolen Promise is that there is no substitute for close coordination and partnerships between the public and private sectors at the local, state, national and global level. Now, we must take those lessons and work to apply them more broadly.

For policymakers, this means taking the growth of illicit trade seriously and developing laws that will better protect consumers and retailers. Last summer, Florida Governor Ron DeSantis signed a bill into law that would [impose stiffer penalties](#) on criminals found to have stolen a large number of products over a short period of time. The bill was championed by Florida retailers and law enforcement and will provide an effective new tool to discourage organized retail crime. Other states are looking at similar approaches.

Overseas Origins of Illegal Trade

Combatting illegal trade also means looking abroad. The income generated from illegal trade is commonly used to fund terrorist networks and dangerous cartels. To go after these networks, we must go after their funding both in the United States and abroad. The illicit tobacco trade is one important place to start.

Illicit tobacco is a popular product with criminals for the same reason as organized retail crime. It's a low risk, high reward proposition. Authorities and the general public aren't focused on illegal cigarettes, making it unlikely a smuggler will get caught. Even if they do, the penalties aren't particularly harsh, while the profits are significant.

It can cost as little as 20 cents to manufacture a counterfeit pack of cigarettes overseas that may sell for as much as \$5 to \$10 in the black market. This means that a single cargo container of illegal cigarettes could cost just \$100,000 to produce but ultimately be worth \$2.3 million once it gets to the streets. In total, it is estimated that one out of five cigarettes purchased in the United States is illicit, costing taxpayers nearly \$7 billion in revenues annually.

An important way to help end to this illicit activity would be to build a more comprehensive, multilateral approach between foreign governments and law enforcement to fight corruption and criminal misuse at international ports and Free Trade Zones. FTZs serve an important function in ensuring that global commerce can move efficiently and cost effectively. But the same policies that make them attractive to businesses also make them attractive to criminals.

An FTZ along the border of Paraguay, Argentina and Brazil is estimated to have [6 billion illicit cigarettes](#) running through it every year. It is widely believed that a primary beneficiary of this illicit trade is Hezbollah, which has a strong presence in the area.

Unfortunately, corruption is rampant in this region and often comes from the highest levels of the government. Last summer, the United States [placed](#) former Paraguayan President Horacio Cartes on a corruption list for obstructing a "major international investigation into transnational crime." It is thought that Cartes, a cigarette magnate, [was laundering](#) millions of dollars in illicit tobacco sales.

Similar issues are plaguing FTZs around the globe. Dubai's FTZ has become a hub of cigarette smuggling, benefitting groups like the Taliban, al-Qaeda and Hezbollah. In Cambodia, FTZs are helping criminal networks trade in illicit tobacco, with these same networks linked to child labor.

The illicit tobacco trade abroad impacts us here in the United States as well. In 2020, the Department of Homeland Security made the single largest seizure of illegal cigarettes ever recorded in the United States, estimated to be worth \$88 million. The seizure occurred in McAllen, Texas, but it's known that FTZs played a role in moving the illegal cigarettes from the UAE and Panama into the United States.

Sophisticated Criminals Require Comprehensive Response

From corner drug stores to free trade zones, criminal and terrorist networks are taking a highly sophisticated approach to illegal trade. Likewise, our response must be equally sophisticated. That begins by seizing on the lessons learned from Operation Stolen Promise and establishing meaningful public-private partnerships that can share intelligence and investigate leads. It also means training law enforcement to better recognize signs of illicit trade and educating the public on how to avoid illicit products.

Illicit trade networks prey upon any gap in the economic system. By working together, we can close those gaps and leave these criminals with little room to hide.

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