

## **Can we choke illegal routes for cigarettes?**

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There's a strong demand from Corporate India – read FICCI – to tag February 11 as Anti-Smuggling day, among other products included in the list is cigarettes. The move sounds both interesting and strange but it has some very serious connotation for India and its economy.

So what would a special day do to curb smuggling? Would it mean pushing more pencils on paper or would there be some genuine efforts to curb smuggling? The New Delhi-based FICCI which has a Committee Against Smuggling and Counterfeiting Activities Destroying the Economy (CASCADE) is pushing for the special tag and FICCI officials say there are some genuine reasons why they are concerned.

So let's get into some number crunching.

For the records, cigarettes were one of the most sought after products smuggled into India – its demand was higher than gold – during the last two years because of huge profit margins. The smuggled cigarettes come into India mainly through the ports, international airports and through the land borders with Myanmar in the States of Mizoram and Manipur and originate from China, Dubai, Indonesia, Singapore etc.

Data shared by the Directorate of Revenue Intelligence (DRI) showed how smugglers repeatedly used cover cargo in containerized sea cargo and trucks ways to bring boxes of cigarettes into India and sold through retail outlets. According to the Central Board of Indirect Taxes and Customs(CBIC) illegal cigarettes worth Rs 1772.02

cr. was impounded in 2020-21(till Feb. 2021) which represented an increase of around ten times the value of illegal/smuggled cigarettes seized in the whole of previous financial year.

CBIC data also suggests that post 2016 when the 85% health warning has been mandated the quantum of smuggled cigarettes has gone up significantly as in the period 2011-15 the value of seized illegal cigarettes was only Rs 141. 91 crores compared to Rs 6659,63 crores in 2015-2021(till Feb. 2021). The DRI report says that 65 per cent of total confiscated stock of all products was made from container concealment, 23 percent from vehicles, five per cent from air cargo and seven per cent was town seizures. DRI officials estimated that 65 percent of smuggled products had come from Dubai and eight per cent were brought from Myanmar. Just one per cent was from Nepal and the source of 26 percent remained unknown. In case of smuggled cigarettes, it is relatively easier to catch them as they are bereft of the large Indian warnings.

Euromonitor International, a respected London-based market research agency, has estimated that illegal/smuggled cigarette trade in India in 2020 accounted for more than one-fourth of the cigarette industry in India, considered the fourth largest illegal cigarette market in the world in terms of volume of illegal/smuggled cigarettes.

Reports further suggest that only eight per cent of total tobacco consumption is in the form of legal cigarettes and 92 per cent are from illegal means including smuggled cigarettes and



other tax-inefficient tobacco products such as bidis and chewing tobacco. The majority of the stock impounded violates Cigarettes and other Tobacco Products Act (COTPA) as the packets don't have mandatory pictorial warning. The absence of the 85% pictorial warnings on smuggled cigarettes as mandated by COTPA Rules on cigarettes gives an impression to the Indian smokers that these illegal cigarettes are benign compared to the legal cigarettes which carry the large warnings. Since the smuggled cigarettes evade all taxes/duties they are also available at one third the price of the legal cigarettes thus making the illegal/smuggled cigarettes a very attractive proposition for the smokers. Thus the smuggled/illegal cigarettes contribute to undermining the health objectives of the Govt.

The existence and operation of illicit markets has been an enduring problem. Over the years, it has escalated, impacting the economy and industry. Worse, there is the big issue of health and safety of the consumers as the illegal/smuggled cigarettes are of questionable quality and mostly old stocks dumped into India.

Smuggling leads to tax evasion causing loss of revenue to the government, competitive advantage of local producers is negatively impacted. As a result, the capacity of the domestic economy to generate more employment reduces and the livelihood of producers is also imperilled due to the undue advantage of smuggled goods.

India's topographical diversity is actually a difficult terrain that is usually exploited by smuggling cartels. Due to smuggling activities, Indian economy incurred a loss of Rs. 1,17,253 crores and a future loss of 16.36 livelihood opportunities in only five industry sectors in 2017-18, according to the FICCI CASCADE study titled 'Invisible Enemy: Impact of Smuggling on Indian Economy and Employment'. The study showed smuggling led to a loss of Rs 5,726 crore in the textiles industry, Rs 5,509 crore in the readymade garments industry, Rs 8,750 crore in cigarettes industry, Rs 18,425 in the capital goods industry, and Rs 9,059 crore in the consumer durables industry in the year 2017-18.

Worse, smuggling operations have close links to criminal syndicates and terrorists' nexus. Serious and organised crime continues to kill more people than any other national security threat and has a corrosive impact on the society.

So the demand to tag February 11 as an anti-smuggling day has been pushed by FICCI CASCADE in the hope that this day will be recognised globally and play a key role in pooling resources to counter this mammoth threat. The bottom-line: More and more global powers need to join hands to curb. It needs to happen. And if it eventually happens, then tagging a day to raise the banner of anti-smuggling will work.

**Source:** <https://timesofindia.indiatimes.com/blogs/newshound-ales/can-we-choke-illegal-routes-for-cigarettes/>