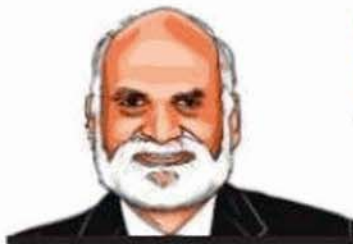


Teaming up to tackle smuggling



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ON FEBRUARY 11 this year, FICCI's Committee Against Smuggling Counterfeiting Activities Destroying the Economy (CASCADE) launched the first ever Anti-Smuggling Day to raise its voice against the menace of smuggling across the globe. This comes at a time when illicit trade continues to grow exponentially amid globalisation of trade and finance, and rapid changes in technology, giving criminals the opportunity to create new mechanisms for trafficking contraband, laundering money, and engaging in other large-scale economic crimes. The 2021 Global Illicit Economy report states that illegal markets have boomed, diversified, and become more networked over the last 20 years. However, the functioning of these markets can be dated back to centuries. Smuggling, for instance, has a long history. In the 13th century, it was first recognised as a problem in England, following the creation of a national customs collection system by Edward I in 1275. Medieval smuggling focused on the export of highly taxed goods such as wool and hides. Initially, the customs service existed only to collect the duties at the ports, and not to prevent smuggling. However, during the 17th and 18th centuries, illegal trade increased, and smuggling developed into an organised industry. The 18th century was known as the golden age of smuggling, when England witnessed illicit trade of tea, tobacco, spices, silks, and spirits.

Smuggling continued throughout the early 19th century but declined after the conclusion of the Napoleonic Wars in 1815, when the preventive effort was stepped up with the introduction of coastal blockades and coastguard. In North America, smuggling in colonial

times was a reaction to the heavy taxes imposed by mercantilist trade policies. After American independence in 1783, smuggling developed at the edges of the country at places like Passamaquoddy Bay, St. Mary's in Georgia, Lake Champlain, and Louisiana. During Thomas Jefferson's embargo of 1807-1809, these places became the hubs for smuggling goods outside the US. Like Britain, a gradual liberalisation of trade laws as part of the free trade movement led to reduced smuggling in the US. In 1907, President Theodore Roosevelt tried to crack down

on smuggling by establishing the Roosevelt Reservation along the US-Mexico border. However, smuggling was revived in the 1920s during prohibition and drug smuggling became a major problem after 1970. In the latter half of the 19th century, smuggling also spread to the African continent, particularly, the smuggling of spirits from the Portuguese colonies into the Boer states and from French colonies into the Gold Coast and Nigeria.

As the commercial boom increased the pace of development, so did the illegal businesses. It is not far-fetched to deduce that such illegal activities are one of the most profitable businesses in the world today. Several reports have indicated that in recent times, a plethora of illicit activities are performed systematically by criminal enterprises which include drug trafficking, human trafficking, illegal wildlife trade and illegal arms trafficking. As an alternative to paper currency, gold and cigarettes are the most favoured for money laundering and illicit trade. They are high-value, easy-to-transport, making them vulnerable to smuggling. There is mounting evidence on the economic and social

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losses caused by smuggling. According to Global Financial Integrity, illicit flows resulting from transnational crime such as arms, tobacco, or pharmaceuticals smuggling are valued at an average of \$1.6 trillion-\$2.2 trillion annually, which is nearly the size of the UK's GDP. WHO estimates that regarding alcohol smuggling, the annual worth amounts to \$19.4 billion. In 2019, UNODC estimated the annual value of the trade in narcotics to be between \$400-\$600 billion worldwide. These figures reflect the prolific rate at which this problem is growing globally.

In India, a 2019 FICCI CASCADE report stated that the top five sectors where smuggling was rampant were textiles, tobacco products, readymade garments, capital goods, and consumer electronics, which were damaging the economy to the tune of ₹1.17 trillion. The Covid pandemic has not deterred smugglers. Enforcement agencies in India report that methods to hide contraband goods have become smarter during this period. Despite the creation of various enforcement mechanisms, border controls and efforts by officers from across agencies globally, smuggling has been thriving from time immemorial. There is no doubt that with inter-agency and inter-country cooperation, generating consumer awareness is needed. This will eventually prevent victimisation of the people who are exposed to health and safety dangers posed by illicit products. Since smugglers evade legal duties and taxes, they also put an extra burden on the budget, leading citizens being deprived of much-needed resources.

Combating smuggling requires a systematic understanding of the nature and scope of the problem and no nation can do this in isolation. Therefore, it is critical that governments join hands to prioritise actions and create a collective global response which in the years to come, will blunt the impact of this lethal adversary.