

Dealing with the smuggling menace



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Smugglers are using sophisticated methods and technologies, and there is a need for law enforcement to up the game with better cross-border coordination and trade-data reconciliations, beside in-country crackdowns on the grey market

SMUGGLING IS A multidimensional issue that has a detrimental impact on the economy and national security. It can further destabilise countries by instigating crime, funding terrorism, and generating and circulating black money globally. A growing threat to Atmanirbhar Bharat today is the deadly combination of smuggling and massive amounts of misdeclaration that leverage existing treaties and Free Trade Agreements. The signs of it can be noticed on the streets and local markets, when one sees people smoking a thin cigarette pulled out from an attractive looking pack that does not have the dreadful images that are mandatory under the 'Cigarettes and Other Tobacco Products Act' (COTPA) guidelines. These are imported and openly flout the Legal Metrology Act and the Legal Metrology (Packaged Commodities) Rules as they carry no name or address of the manufacturer, importer or packer, quantity of the product, month, year of manufacture or pre-packing/importation, nor the retail sale price, and so on.

Another example are the tiny sewing needles. The rate at which these imported sewing needles brought into the country through misdeclaration are flooding the market is bound to cause severe harm to the Indian manufacturers who produce high-quality needles and form part of the country's SME and MSME ecosystem. Most of the imported sewing needles in the market today even contain names of

the manufacturers/brands who do not seem to actually exist in the FTA countries with which India has an agreement as they are manufactured in non-FTA countries but shipped via FTA countries. Despite clear requirements with regard to labelling, most imported sewing machine needles that use the FTA route clearly violate legal metrology, apart from avoiding taxes using the FTA leverage. Whether it is cigarettes or sewing needles, the loose-selling options are also leveraged through intelligent packing. For example, in the 100-needle pack, it would state "Contents are not to be sold in loose" to circumvent the Legal Metrology conditions. The 100-pack consists of ten 10-needle packs, which are sold in the retail market per customer requirements, thus openly flouting legal metrology compliances. All of the above damage local manufacturing, enjoy cost arbitrage due to tax avoidance, leverage misdeclarations, and create an opportunity for tax evasion. This has unfortunately created an uneven playing field, and works counter to the vision of an 'Atmanirbhar Bharat'.

Recently, FICCI's Committee Against Smuggling and Counterfeiting Activities Destroying the Economy (CASCADE) launched a comprehensive report titled

Illicit Markets: A Threat to Our National Interests, which examines the impact of illicit trade in five key industries in India—mobile phones, FMCG-household and personal goods, FMCG-packaged foods, tobacco products, and alcoholic beverages. According to the report, the size of illicit markets in these industries was ₹2.6 trillion, with household and personal goods, and packaged foods together accounting for three-fourths of the total illicit value of goods. The report estimates that unlawful trade in these industries results in a total estimated legitimate employment loss of 15.96 lakh. The tax-loss to the Centre from illicit trade has jumped by 163% over 10 years.

Smugglers are using sophisticated methods and technologies to smuggle goods across borders, and there is a need for law enforcement and tax authorities to up their game with better cross-border coordination and trade-data reconciliations, apart from in-country crackdown on grey markets. This is necessary because once the controls at the border are violated either through smuggling, misdeclaration, or leveraging FTAs, the goods still can be caught while being sold inside the country by increasing the manpower in departments like legal metrology under

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the ministry of consumer affairs.

Higher taxes are another cause for customers looking for overseas sources. Let us take the case of online travel startups, which are now losing a large chunk of business from Indian customers to overseas travel operators due to a proposed 20% tax collection at source on foreign travel packages. Indian customers are shifting to overseas platforms to avoid this tax as well as GST, which creates a cost arbitrage opportunity resulting in revenue-loss to the country.

Today, on the one hand we are seeing technology, analytics and artificial intelligence being deployed to track and trace consignments, patterns, and modules to prevent smuggling. But, on the other, there are many hardware-based interventions. For example, Europe is deploying a new set of high-tech anti-smuggling tools, including a machine that fires part of an atom at containers that helps analyse their contents. There are also deployments such as the electronic sniffer dog that sniffs particles inside the container but would never get tired like a real dog. There are also unmanned surface vessels for marine monitoring, surveying, and chasing smugglers in deep seas.

It is time for India to crack down, both internally and at the borders, to curb this menace. Prime minister Narendra Modi should take the lead and declare an Anti-Smuggling Day and work with other countries to make this a global effort.