



KAMARAJ IAS ACADEMY
Only IAS Academy by Grandson of "Per. unthalaivar Kamarajar"

Illicit Trade in India

Published On: 30-09-2023

Why is in news? As illicit trade booms, seizure mount: 3.5 tonnes of gold, 18 crore cigarette sticks and 90 tonnes of heroin caught in FY23

About the report:

Around 3.5 tonnes of gold, 18 crore cigarette sticks, 140 metric tonnes of red sanders and 90 tonnes of heroin were seized along with other drugs during the last financial year.

Central Board of Indirect Taxes and Customs Chairman on September 28 said the **challenge of illicit trade looms larger than before** and **tackling issues such as counterfeiting, smuggling and tax evasion** is fundamental to safeguarding India's economic stability.

As per a report released by **FICCI CASCADE** titled 'Hidden Streams: Linkages Between Illicit Markets, Financial Flows, Organised Crime and Terrorism', the **illegal economy in India has an overall score of 6.3 in India**, which is **higher than the average score of 5 of other 122 countries**.

Key finding of the report:

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthy Colony, Anna Nagar, Chennai, Tamil Nadu 600040

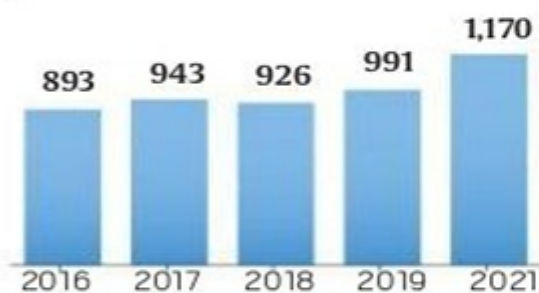
Phone: **044 4353 9988 / 98403 94477 / Whatsapp : 09710729833**

CHART 1 ILLICIT FINANCIAL FLOWS-VALUE GAP INDIA (2009-2018)



Source: TARI representation of GFI estimates

CHART 2 ECONOMIC IMPACT OF VIOLENCE FOR INDIA (BILLIONS PPP)



Source: TARI Research, Economic Value of Peace 2021, Global Peace Index 2023

CHART 3 ILLEGAL ECONOMY IN INDIA VS AVERAGE ALL (122 COUNTRIES)

	Avg All	India
Drugs	5.0	6
Non-renewable resource crimes	4.8	7
Flora & fauna crimes	4.4	6.75
Armstrafficking	5.2	5.5
Human trafficking/smuggling	5.6	6.5
Illegal economy	5.0	6.3

Source for Charts 3,4,5: TARI Research, GOCI

CHART 4 ORGANISED CRIME ACTORS: INDIA VS AVERAGE ALL (122 COUNTRIES)

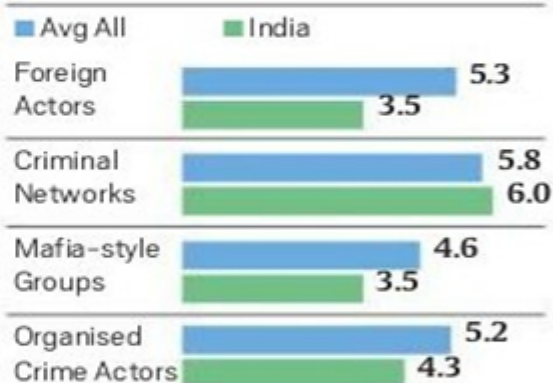
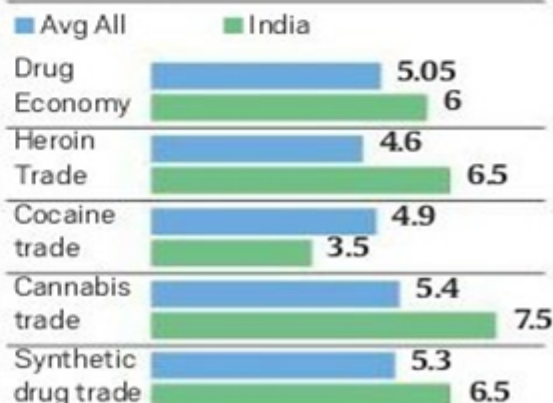


CHART 5 ILLICIT DRUG ECONOMY: INDIA VS ALL AVERAGE



Illicit Financial Flows – Value Gap India (2009-2018):

India has faced an approximate total potential revenue loss of US \$13 billion involving both **mis-invoiced imports and exports**.

For the 2009-2018 period, the **total aggregate value gap of misinvoicing was over \$674.9 billion**. In 2018, India had a value gap of US \$84.9 billion.

The value gaps as the percentage of the trade, however, declined marginally.

Terror and Crime in India:

Dealing with **both terrorism and crime** has gained significant attention due to the growing emphasis on security concerns and this has **resulted in a considerable economic cost**.

In 2021, India's economic cost for violence was at US \$1170 billion at purchasing power parity (PPP), which accounts for **approximately 6% of the country's GDP** and violence per capita impact is estimated at US \$841 at PPP.

The report stated that **nearly 80% of such containment costs relates to security** and as the economy grows (along with it the illegal economy), India's cost of addressing terror and crime will be significant.

Organised Crime and Illegal Economy in India:

Citing data from **The Global Organised Crime Index (2021)**, the FICCI report said India's benchmarking with 122 countries shows that the **aggregate score of organised crime actors in India is low, at 4.3** on a scale of 1-10, compared to the average benchmark of 5.2 for 122 countries.

The **criminal network**, however, has a significant influence in India with a score of 6, which is higher than the average score of 5.8 for 122 countries.

This is due to **criminal networks having a significant role in India's organised crime scenario**, with a widespread presence across the country involved in a variety of illicit activities including drug and human trafficking and the illegal trade in wildlife products.

On the other hand, the **illegal economy in India** has an **overall score of 6.3** which is **higher than the average score** of 5 of 122 countries.

This suggests that **although there are fewer criminal actors, they are widespread and engage in a variety of unlawful activities**, including drug and human trafficking and the illegal trade in wildlife products.

This apparent contradiction **may be attributable to the efficacy of criminal networks** in India, which enables them to **generate substantial illicit financial flows** despite their small numbers, the report said.

Drug Economy in India:

India's **location near major drug-producing regions**, including the Golden Triangle (Myanmar, Laos, and Thailand) and the Golden Crescent (Afghanistan, Pakistan, and Iran) has been associated with activities that may involve the transportation and distribution of controlled substances.

There has been an **increase in the illicit drug trade in India in recent years**, with the FICCI report stating that 3,172 cases of drug seizures were recorded during 2014-2022 as against 1,257 cases in 2006-2013.

Total 4,888 arrests were made during the same period for these seizures involving 3.33 lakh kg of drugs worth Rs 20,000 crore.

Among the various kinds of drugs, **Cannabis has a higher score of 7.5**, compared to the benchmark average of 5.4, indicating its significant presence in India in comparison to other countries.

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthy Colony, Anna Nagar, Chennai, Tamil Nadu 600040
Phone: **044 4353 9988 / 98403 94477 / Whatsapp : 09710729833**

The **synthetic drug trade and the heroin trade** both had scores of 6.5, which exceeded the benchmark averages of 5.3 and 4.6, respectively.

Factors contributing to rise of illicit trade in India:

Proximity to drug-producing regions: India's proximity to the "Golden Crescent" (including parts of Afghanistan, Iran, and Pakistan), provides easy access to narcotics.

Cross-border connections: India shares borders with countries like Pakistan, which is known for its involvement in drug trafficking.

Financing mechanism: Socioeconomic factors such as poverty, unemployment, and lack of opportunities can contribute to the involvement of individuals in the drug trade.

Corruption and weak law enforcement: Corruption within law enforcement agencies can facilitate the operations of drug trafficking networks ex. in Punjab.

High profits and demand: The lucrative nature of the illegal drug trade makes it an attractive source of revenue for terrorist organizations.

Transnational nature of the trade: Transnational drug syndicates collaborate with terrorist organizations, facilitating the flow of drugs and funding for terrorist activities.

Inefficient Policymaking: Terrorist and militant actions are a problem in India, which are supported by the neighboring countries. It's no surprise that few Indians see the importation of ganja, opium, hashish, and other drugs as a concern because secessionism, terrorism, and insurgency have occupied the thoughts of policymakers and the general people.

Northeast Region: Drugs, sourced from Myanmar and Bangladesh, has a direct bearing on the funding of terror and extremist activities in the northeast. A series of intermittent seizures in India of 'yaba' tablets that were meant for Bangladesh indicates the existence of multiple exit points along the border in Tripura, Assam, and Meghalaya. The proceeds of this drug-trade find its way to insurgent-outfits.

Golden Triangle (SE Asia):

The Golden Triangle is the area where the borders of **Thailand, Laos, and Myanmar** meet at the confluence of the Ruak and Mekong rivers. The name "Golden Triangle" was coined by the CIA.

Along with Afghanistan in the Golden Crescent, it has been one of the largest opium-producing areas of the world, since the 1950s.

Most of the world's heroin came from the Golden Triangle until the early 21st century when Afghanistan became the world's largest producer.

Golden Crescent:

The Golden Crescent is the name given to one of Asia's two principal areas of illicit opium production (with the other being the Golden Triangle), located at the **crossroads of Central, South, and Western Asia**.

This space overlaps three nations, **Afghanistan, Iran, and Pakistan**, whose mountainous peripheries define the crescent.

Status in India:

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthi Colony, Anna Nagar, Chennai, Tamil Nadu 600040
Phone: **044 4353 9988 / 98403 94477 / Whatsapp : 09710729833**

The **illicit market is thriving** in **five important Indian industries** are mobile phones, fast-moving consumer goods (FMCG), which include household and personal items, packaged foods, cigarette products, and alcoholic beverages, according to the **Federation of Indian Chambers of Commerce and Industry's Committee Against Smuggling and Counterfeiting Activities Destroying the Economy (CASCADE)**.

Size of the market: In 2019–20, the illicit market size in these sectors was estimated at 2,60,094 crore.

In 2018, India had a low ranking in the **Global Illicit Trade Environment Index** and required concrete efforts to reduce the risks of illicit trade on the economy, according to a report by the Economist Intelligence Unit.

Problems associated with illicit trade:

Smuggling results in a **loss of revenue for the government** as smuggled goods are **not taxed or duty paid**. This, in turn, hinders development initiatives and leads to a decline in economic growth.

Smugglers often use illegal means to transport goods across borders, **threatening national security**. Smuggling can also be **linked to organized crime, terrorism, and money laundering**.

Smuggling **creates an unfair advantage** for those involved in the illicit trade, **leading to an uneven playing field** for legitimate businesses. This, in turn, affects the growth and sustainability of legitimate businesses.

Smuggled goods are often of inferior quality and can **pose health and safety risks to consumers**. For instance, smuggled drugs and counterfeit medicines can be harmful and may not be effective in treating illnesses.

Smuggling of banned substances and hazardous waste can have **severe environmental consequences**. For instance, smuggling electronic waste can lead to the dumping of toxic materials, which can pollute the environment.

Smuggling **often fuels social problems** such as drug addiction, human trafficking, and corruption. It also undermines the rule of law and erodes public trust in government institutions.

Way forward:

Enhance international cooperation and information sharing to disrupt illicit trafficking networks and dismantle the nexus between illicit trade and terrorism.

Invest in advanced technologies to enhance detection and interception of drug shipments, monitor financial transactions, and secure border areas.

Focus on **community awareness, education, and rehabilitation programs** to prevent drug abuse and support individuals struggling with addiction.

Strengthen **efforts to track and disrupt the financing networks** supporting narco-terrorism through collaboration with financial institutions and international organizations.

Strengthen intelligence-sharing mechanisms and conduct joint operations with countries sharing borders affected by illicit trade.

Implement sustainable economic development programs to provide viable alternatives to communities involved in the illicit trade.

FICCI:

FICCI was **established in 1927** and is headquartered in New Delhi.

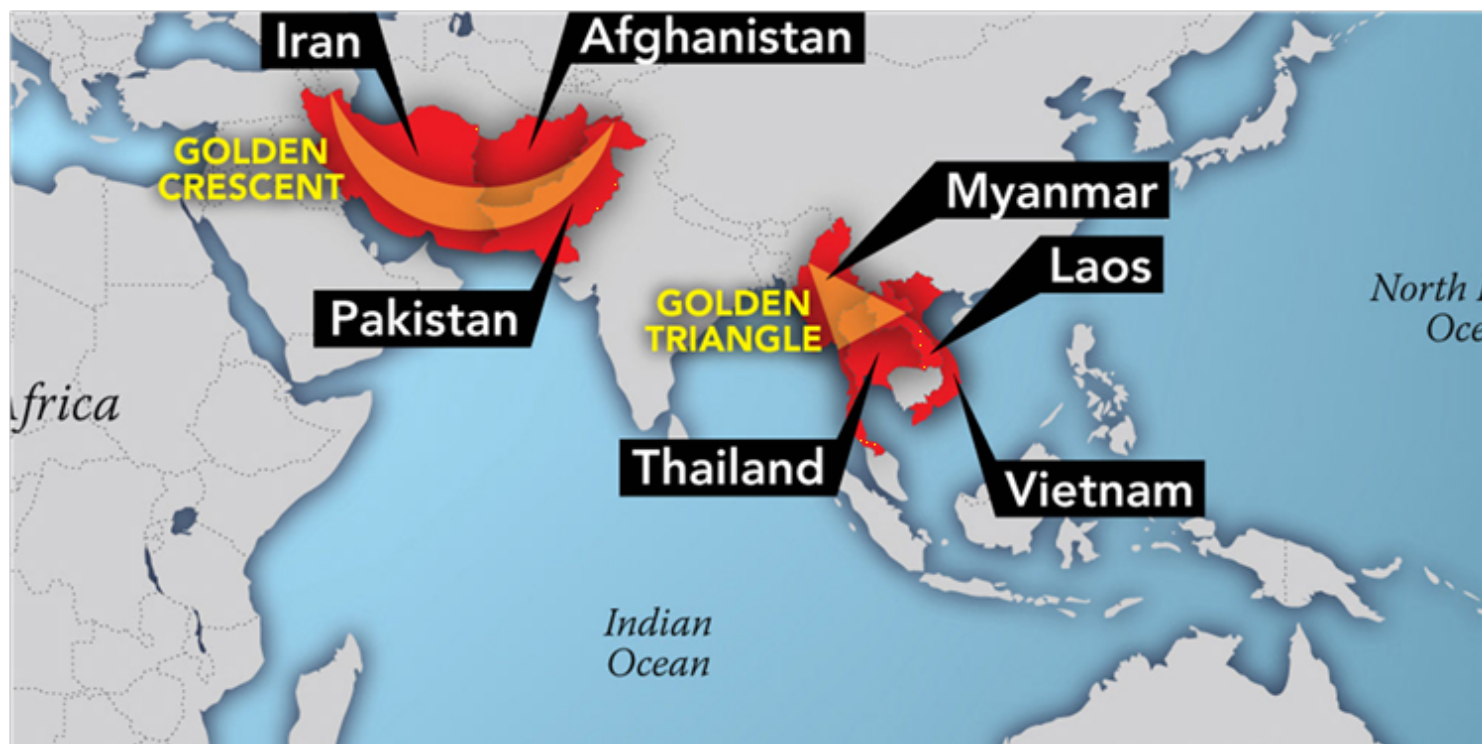
It is a **non-government, not-for-profit organization** that represents various sectors of the Indian economy.

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthy Colony, Anna Nagar, Chennai, Tamil Nadu 600040
Phone: **044 4353 9988 / 98403 94477 / Whatsapp : 09710729833**

FICCI's objectives include promoting and protecting the interests of Indian businesses, promoting international trade, and advocating for policy reforms.

FICCI has a dedicated division called **FICCI CASCADE** (Committee Against Smuggling and Counterfeiting Activities Destroying the Economy), which **works towards curbing the menace of smuggling and counterfeiting in India.**



Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthy Colony, Anna Nagar, Chennai, Tamil Nadu 600040

Phone: **044 4353 9988 / 98403 94477** / Whatsapp : **09710729833**