

Counterfeiting, Piracy & Smuggling - Growing Threat to National Security



Agenda

The background of the slide is a photograph of a fishing boat at sunset. A large, blue fishing net is draped over the side of the boat, extending from the foreground into the water. The sun is low on the horizon, creating a warm, golden glow that reflects on the water's surface. The sky is a mix of light blue and orange. The boat's wooden structure and rigging are visible in the mid-ground.

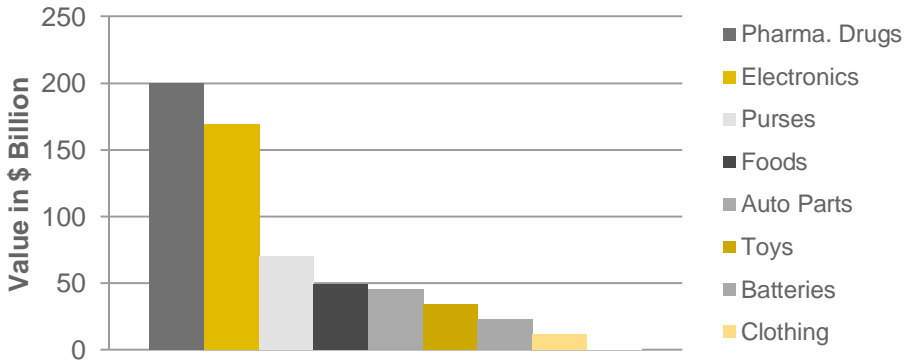
- ▶ **Menace of Counterfeiting, Piracy & Smuggling**
- ▶ **Terrorism's links with Counterfeiting, Piracy & Smuggling**
- ▶ **Framework for Preventing Financing of Terrorism**
- ▶ **The Road Ahead**

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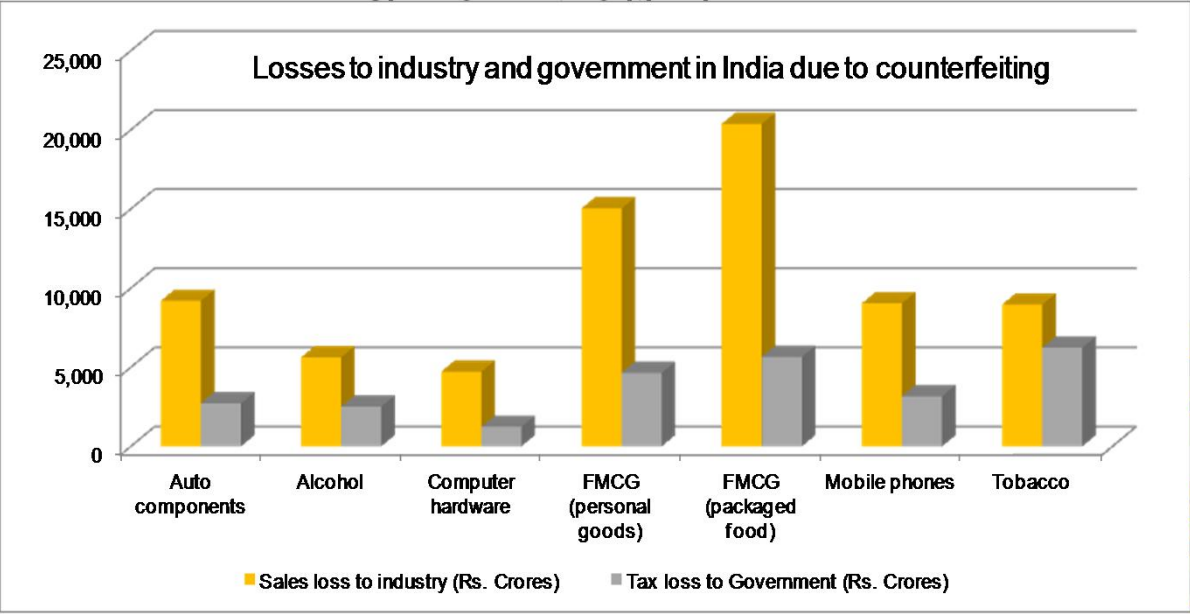
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MENACE of COUNTERFEITING, PIRACY & SMUGGLING



Type of losses

- Economic loss to government
- Economic / Social loss to citizens
- Economic loss to industry
- Indirect loss – Financing of crime / terror**



Source: FICCI CASCADE Report 2013, Havocscope, Pollinger, Harvard University 2008, Union des Fabricants

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IN THE NEWS

Cigarette smuggling connected to major terror groups

Recent law enforcement investigations have directly linked those involved in illicit tobacco trade to infamous terrorist organizations such as Hezbollah, Hamas and Al Qaeda

Counterfeiting entrenched in Al Qaeda recruits

Al Qaeda training manuals recovered in 2002 reveal that the organization recommends the sale of fake goods as a means of fundraising for cells

Fake German brake pads financed Hezbollah

Interpol seized US\$1.2 million worth of counterfeit German brake pads in 2004 that were revealed to be used to support the Lebanese terror organization Hezbollah

63% (\$2.93 bn) of all Software in India is Pirated, BSA report (2011)

Strong links between terrorists and drug, arms and migrant smuggling

Colombia, Kenya, Kyrgyzstan, Myanmar and Turkey among others, reported direct links between **terrorism** & illegal drug trade, arms trafficking & migrant smuggling

Terror suspect found carrying fake dollars worth 3.2 mn

A suspect, Faruk Aksu, who is allegedly linked to several terrorist groups, was arrested in Turkey with US\$3.2 million fake US dollars, which he had obtained from Iraq

Pirated CDs funded 2004 Madrid train bombings

According to Police Commissioner of New York, the Madrid train bombing incident was funded through the sale of pirated CDs. Chechen rebels have also known to finance through pirated CDs

Jayanti Natarajan: Illegal wildlife trade also funds terrorism

The Environment Minister said that there is evidence to suggest that some gangs involved in illegal wildlife trade have links with terrorist organisations

Source: Indian Express, Wall Street Journal, Washington Post, Euromonitor, BSA

PERPETRATORS of COUNTERFEITING, PIRACY & SMUGGLING

Perpetrators of Counterfeiting, Piracy and Smuggling

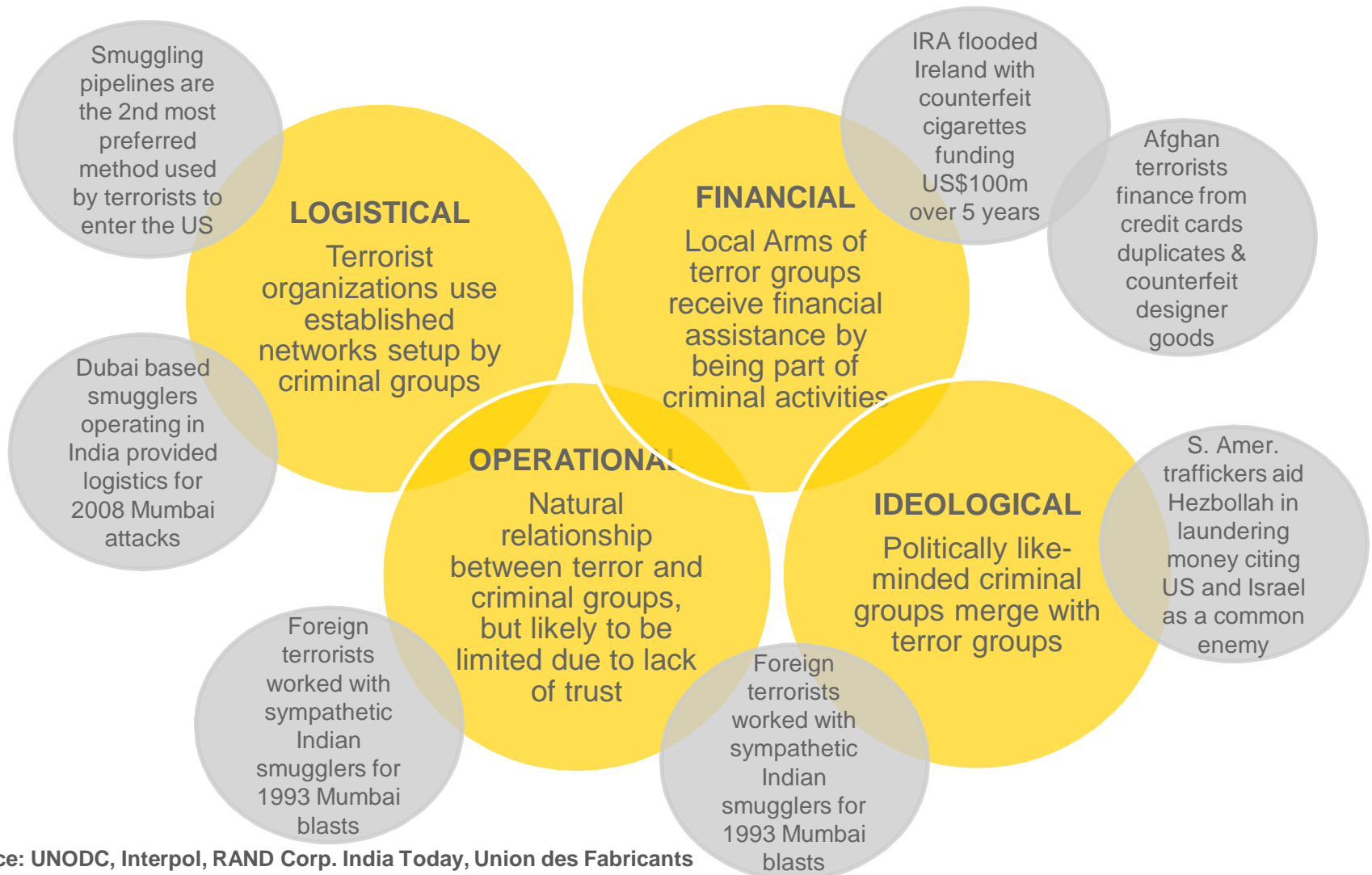
- **Small-scale businesses** have adopted it as a primary business, investing heavily in technology and capital infrastructure
- **Organized Gangs** involved in drugs and arms smuggling have been increasingly involved in counterfeiting and piracy both to make profits and to launder money
- **Terrorist organizations**, due to decentralization post cold war, have begun to see these activities as an excellent source of local funding

Incentives for Terrorist Organizations in Counterfeiting, Piracy and Smuggling

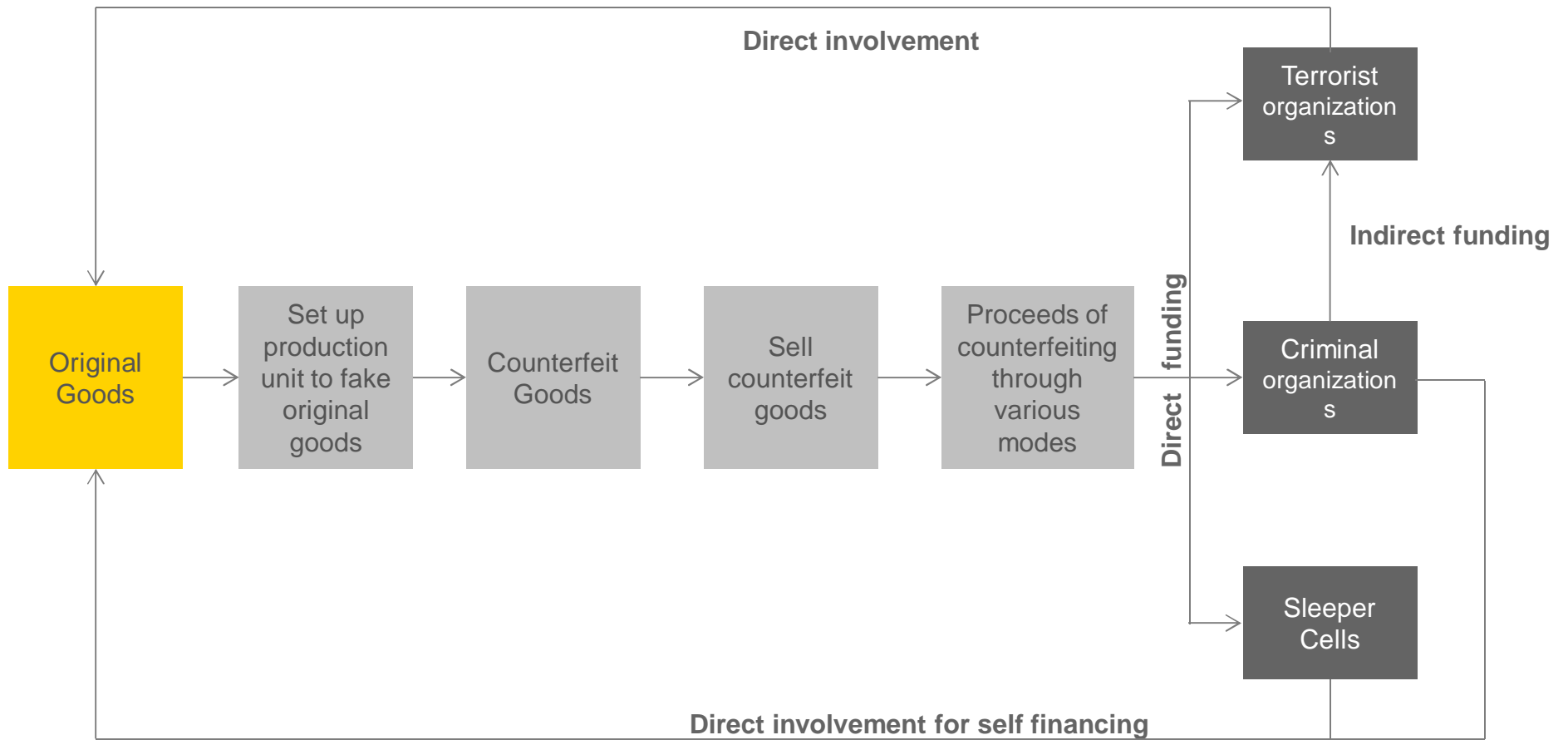
- Counterfeiting can be used as both source of funding and means of attack
- **Enormous Profit Potential:** Can bring in huge returns (~ 900% returns on pirated CDs)
- **Low risk of prosecution:** E.g., In France, convicted counterfeit retailers face 5 times lesser sentences compared to drug dealers

Source: Pollinger, Harvard University 2008, Union des Fabricants

LINKS OF TERRORISM WITH COUNTERFEITING, PIRACY & SMUGGLING



HOW COUNTERFEITING SUPPORTS TERRORISM

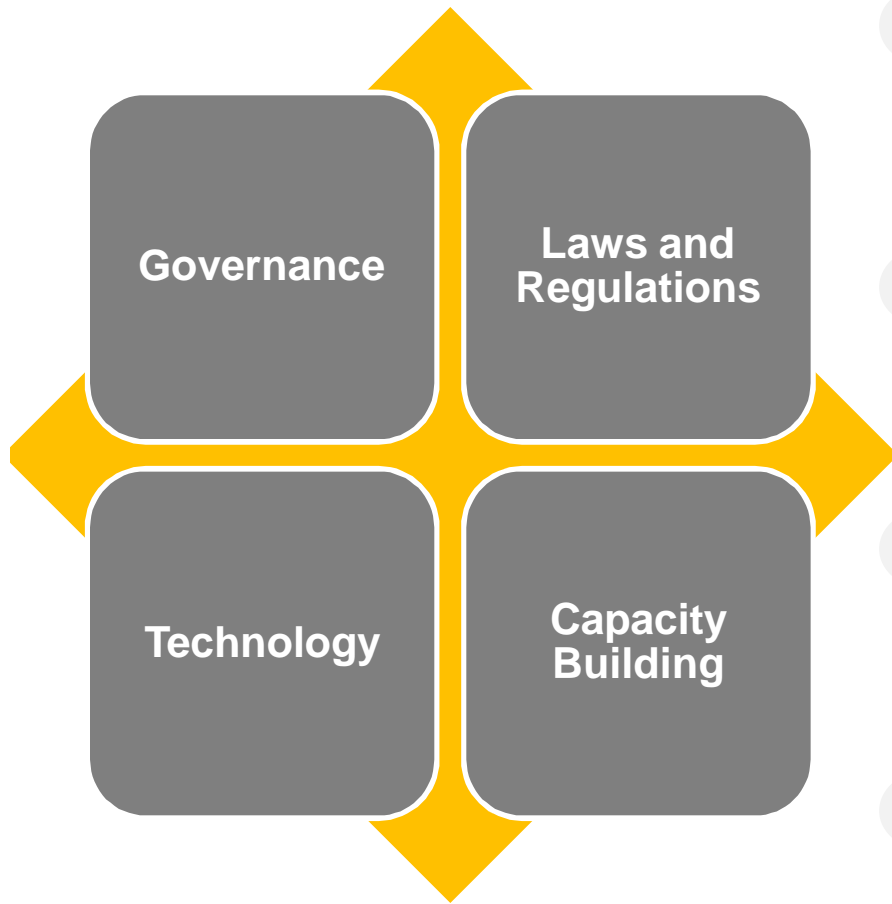


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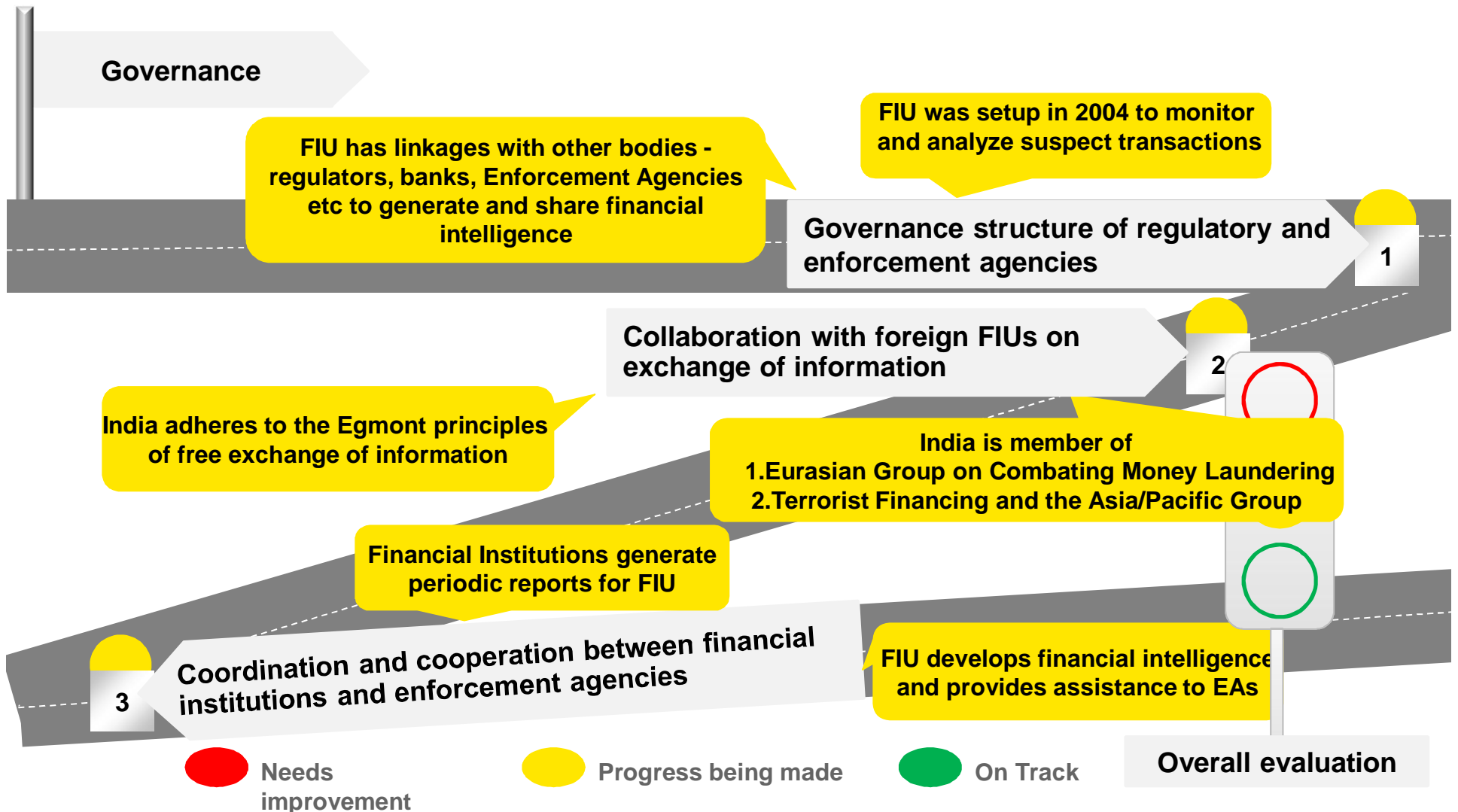
DIMENSIONS OF REFORMS IN COUNTERING THE TERROR FINANCING THROUGH COUNTERFEITING, PIRACY AND SMUGGLING



- 1 Whether adequate governance system in place. What is the extent of coordination between enforcement agencies and degree of international collaboration ?
- 2 Outreach and span of laws to counter the said activities. Extent of enforcement and coverage of institutions ?
- 3 Are the technology solutions in place to identify instances of counterfeiting and smuggling? Are there integrated IT systems to prevent these acts ?
- 4 Is the govt and industry taking adequate capacity building measures to contour the curse of these activities involved in financing terrorism ?

1

GOVERNANCE



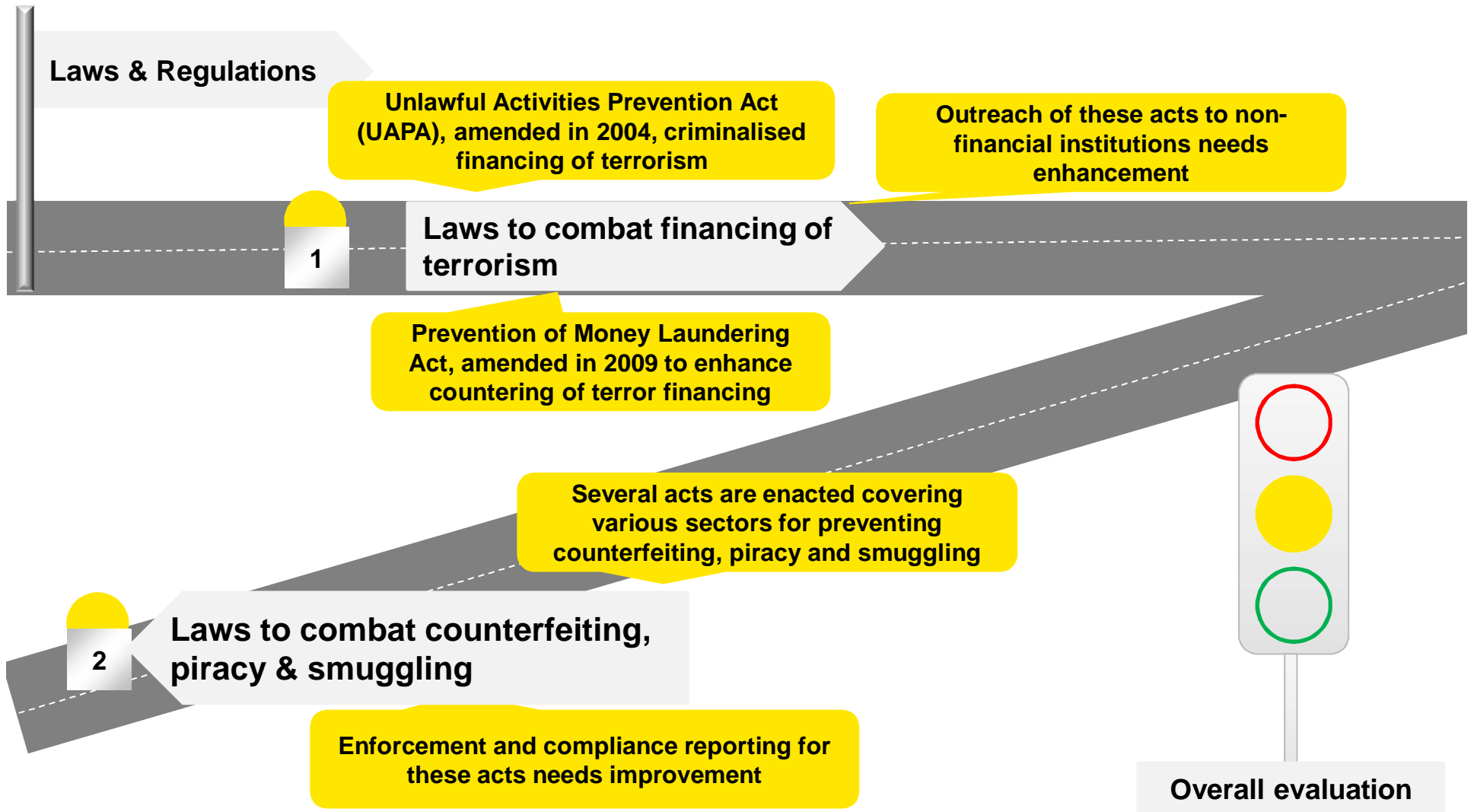
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LAWS AND REGULATIONS

 Needs improvement

 Progress being made

 On Track



3

TECHNOLOGY



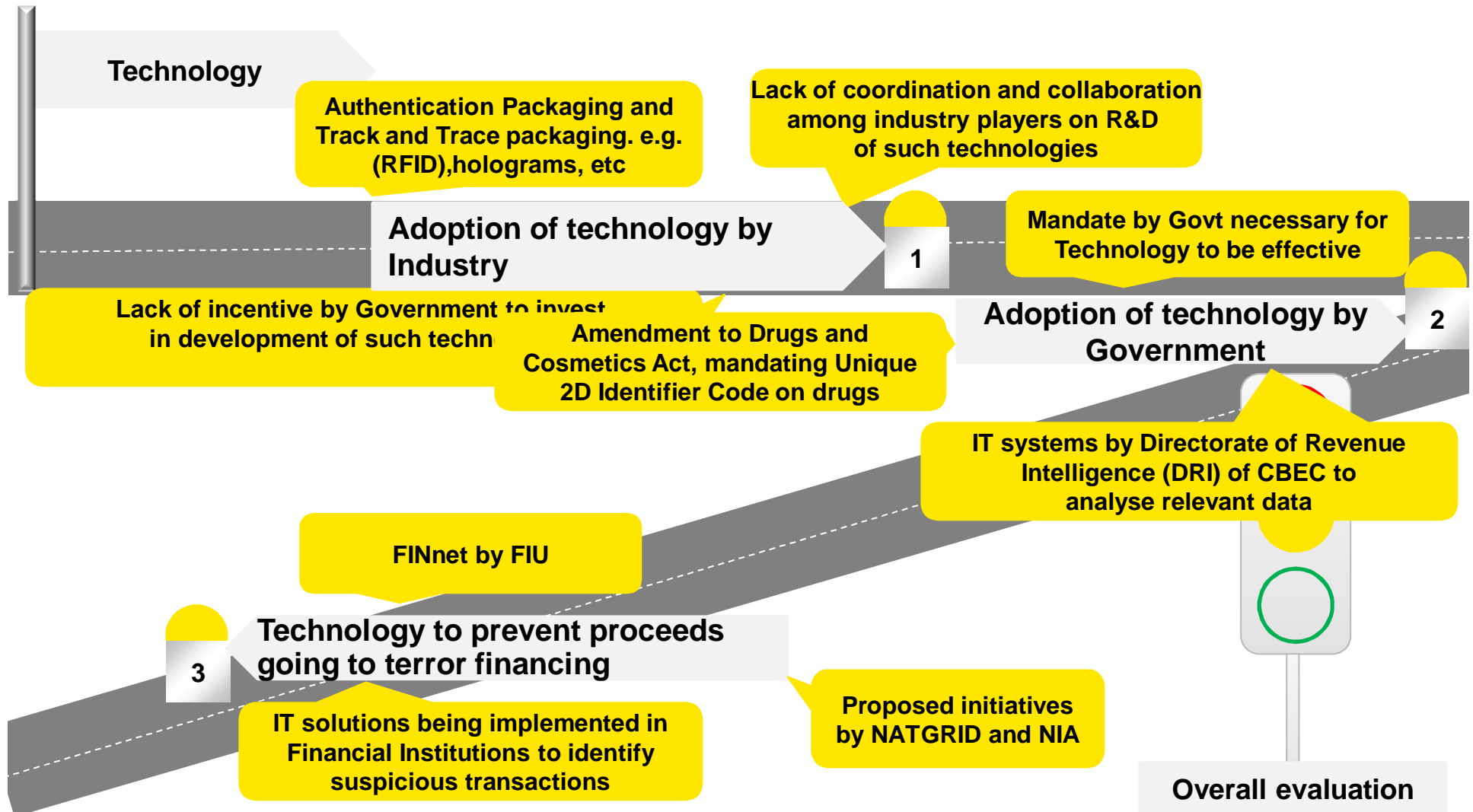
Needs improvement



Progress being made




On Track



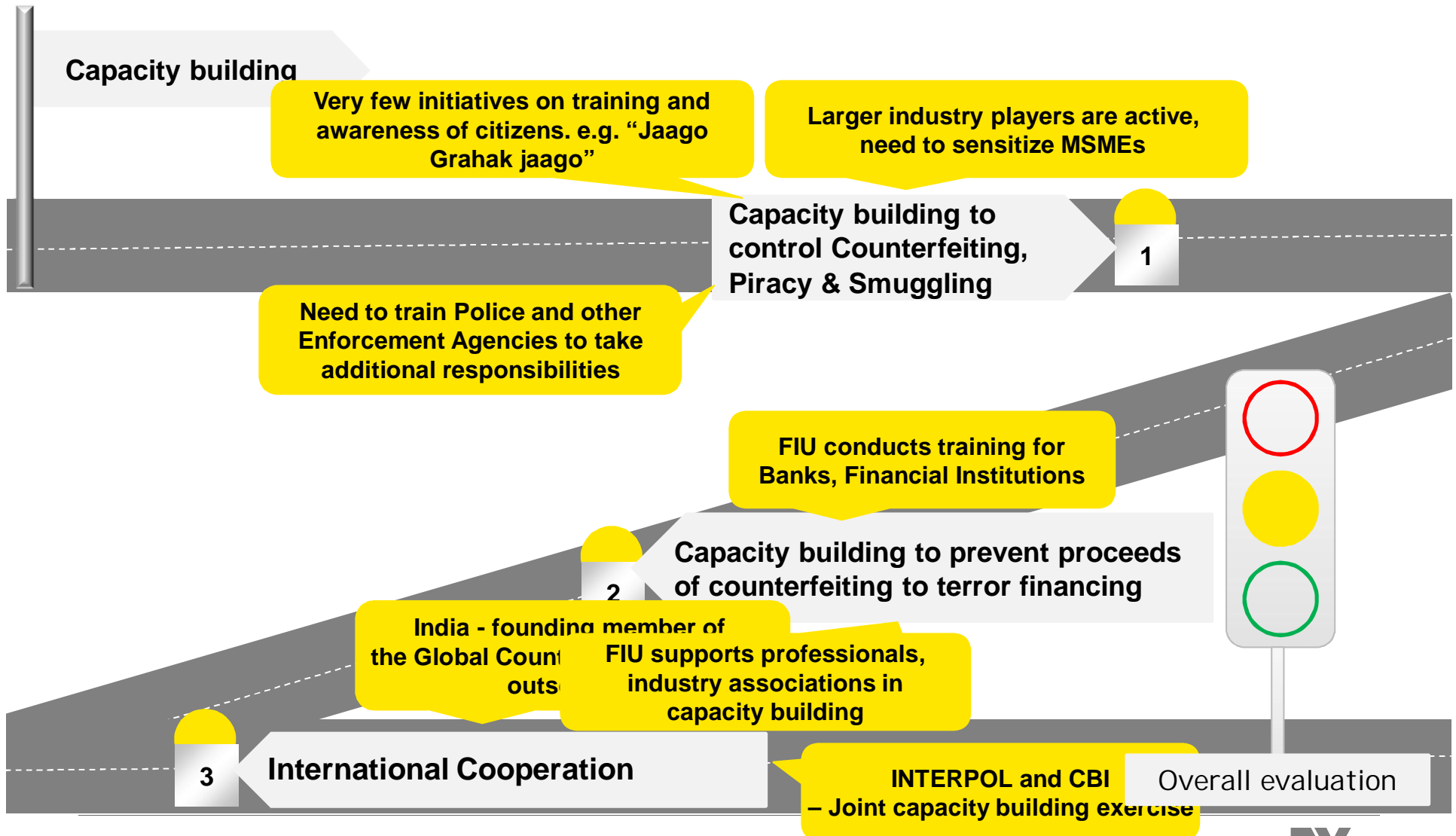
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CAPACITY BUILDING

 Needs improvement

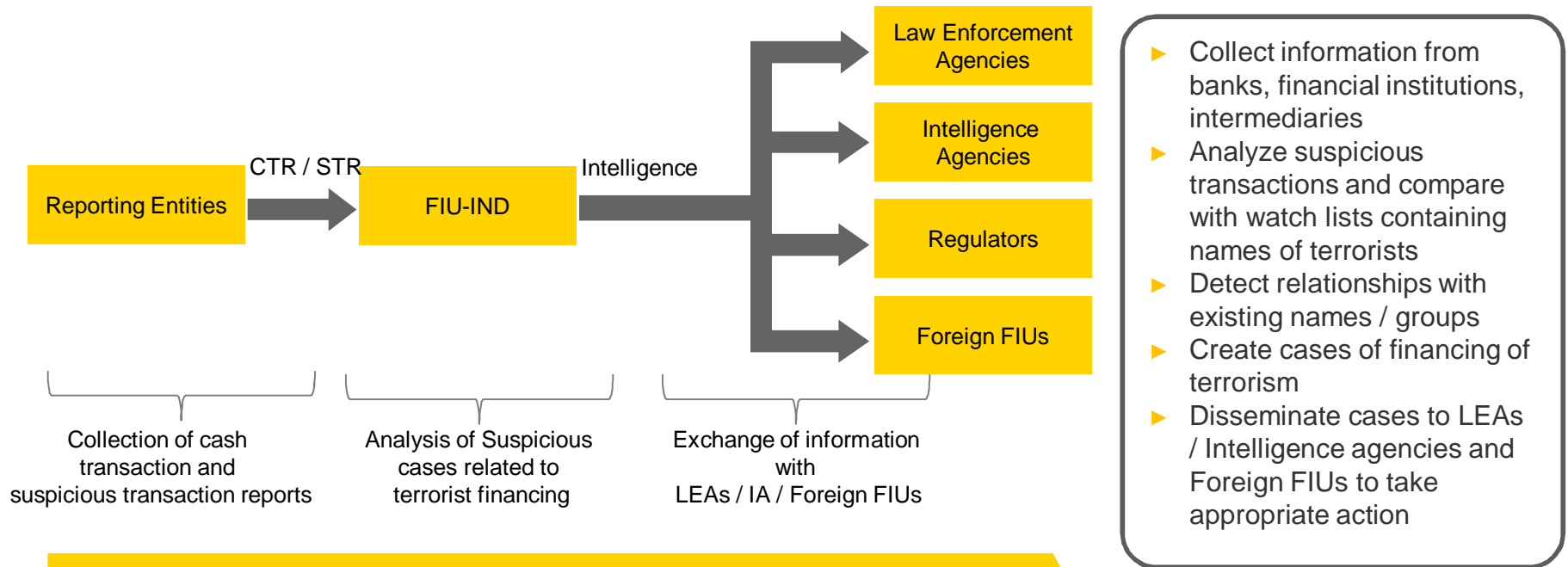
 Progress being made

 On Track



FINANCIAL INTELLIGENCE UNIT - INDIA

Financial Intelligence Unit – India (FIU-IND) was set up in 2004 to “coordinate and strengthen collection and sharing of financial intelligence through an effective national, regional and global network to combat money laundering, financing of terrorism and related crimes”



With adoption of advanced technology system as Project FINnet, FIU-IND can efficiently detect the cases of financing of terrorism

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FRAMEWORK TO EVALUATE THE CURRENT MATURITY LEVEL

	Maturity Levels			
	Basic	Intermediate	Good	Advanced
Governance	<ul style="list-style-type: none"> ▶ No or very limited agencies to deal with counterfeiting, piracy and smuggling 	<ul style="list-style-type: none"> ▶ No separate agencies ▶ Uncoordinated agencies placing low priority 	<ul style="list-style-type: none"> ▶ Prioritized actions ▶ Time-bound investigations ▶ Engagement with international bodies 	<ul style="list-style-type: none"> ▶ Collaboration between industry and government ▶ Formation of National agencies
Law and Regulation	<ul style="list-style-type: none"> ▶ No or limited laws ▶ Small penalties ▶ Limited confiscation according to the law 	<ul style="list-style-type: none"> ▶ Laws in place but with limited control ▶ Risk of conviction lower 	<ul style="list-style-type: none"> ▶ Confiscation of assets ▶ National jurisdictions ▶ Zero Piracy policy 	<ul style="list-style-type: none"> ▶ Laws to empower seizure of assets from other countries ▶ Non-conviction-based confiscation
Technology	<ul style="list-style-type: none"> ▶ Very limited technology adoption by industry and govt ▶ No means of goods authentication 	<ul style="list-style-type: none"> ▶ Limited or no government support ▶ Low penetration and adoption of technology 	<ul style="list-style-type: none"> ▶ Industries employing advanced technical solutions ▶ Mature govt IT systems 	<ul style="list-style-type: none"> ▶ Harmonious effort by industry & govt ▶ Significant government contribution to R&D
Capacity building	<ul style="list-style-type: none"> ▶ Citizens not sensitized ▶ Lack of awareness & training in industry and govt 	<ul style="list-style-type: none"> ▶ High level training to enforcement agencies ▶ Capacity not diffused 	<ul style="list-style-type: none"> ▶ Industry and govt wide efforts to develop capacity ▶ Active engagement of citizens 	<ul style="list-style-type: none"> ▶ Adoption of international best practices ▶ Tie-ups - foreign and domestic institutes



PLAN FOR THE ROAD AHEAD...

- 1** Strengthen governance mechanism to prevent counterfeiting, piracy and smuggling and prevent its proceeds from financing terrorism
- 2** Strengthen technological collaboration between industry & Government on anti-counterfeiting and anti-piracy measures
- 3** Establish inter-agency coordination mechanism to coordinate efforts for preventing counterfeiting, piracy and smuggling
- 4** Institute robust capacity-building mechanism to increase awareness among industry, consumers and enforcement agencies

THANK YOU

