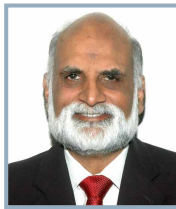


Committee Against Smuggling and Counterfeiting Activities Destroying the Economy



Chair's Message



Anil Rajput,
Chair FICCI CASCADE,
Sr. VP Corporate Affairs, ITC Ltd

Size of the illicit markets has increased manifold in global market. FICCI CASCADE has gone a step further and developed sector specific reports on 'Illicit Markets - A Threat to Our National interests'. These reports estimates the size of grey markets in 9 industry sectors projecting the resultant losses to the industry and government and assessing the impact of illicit markets on innovation, investment, tax arbitrage and financing of organised crime and terrorism. These reports are a ground breaking compilation of the extent of the problem in India that offers the building blocks for key policy makers and decision makers. I am delighted to receive support of Shri Ram Vilas Paswan, Hon'ble Minister of Consumer Affairs, Food and Public Distribution, GoI to launch the study. I would also like to express my firm belief in the institution and people of the country. I am confident that we will soon have advanced mechanism in place to stop and defeat these drivers of illicit trade.

NEWS FLASH

As duties make cigarettes expensive, foreign brands like Luvin Fresh surreptitiously enter the market

Apr 4, 2015 | Economic Times

Gudang Garam, Djarum Black, Luvin Fresh or A Mild might induce a haze of unfamiliarity in the minds of most people in India, but these are some of the hottest names that have prompted enforcement agencies to smoke out those who are bringing such foreign cigarette brands into the country on the sly. The smuggling racket rung alarm bells recently when revenue intelligence officers decided to dig deeper into containers with waste paper and plastic that had arrived from Dubai, only to discover 32.1 million cigarette sticks worth Rs 23.29 crore - the largest ever haul of foreign-made cigarette brands in the country.

After this haul at Hazira port in Surat, the enforcement agencies sounded an alert, leading to the revelation that the firms making these imports were non-existent at the given addresses.

http://articles.economicstimes.indiatimes.com/2015-04-04/news/60811266_1_cigarettes-revenue-intelligence-brands

FICCI CASCADE in NEWS

Interactive Session on "Illicit Markets – Impacting the Indian Growth Trajectory"

April 9, 2015 | Business Standard

44% increase in manufacturing sector losses due to illicit trade: study

Government tax losses increase by 50%; study restricted to seven manufacturing sectors

BS Reporter | New Delhi April 09, 2015 Last Updated at 00:32 IST



Illicit trade in seven major manufacturing sectors has increased industry losses by 44 per cent in two years, said a study. Government tax (direct and indirect) losses have also increased almost 50 per cent to Rs 39,239 crore in 2014, from Rs 26,190 crore in 2012 due to this.

Federation of Indian Chambers of Commerce and Industry (Ficci) and the Committee Against Smuggling And Counterfeiting Activities Destroying the Economy (Cascade) commissioned the study, which focused on seven prime manufacturing sectors —

auto components, alcoholic beverages, computer hardware, fast moving consumer goods (personal), FMCG packaged foods, mobile phones, tobacco and media and broadcasting.

"Despite the existence of requisite laws in India and arrests of suspected criminals by the police, the scale of illicit markets is huge and the criminal networks and illicit markets organisations continue to thrive," Ficci stated.

However, the study was also not able to link the illicit markets to terror funding due to lack of adequate data based on search and seizure in India. According to the study, establishment and

Interactive Session on “Illicit Markets – Impacting the Indian Growth Trajectory”

07 April, 2015, The Lalit, New Delhi



Officials during the Launch of FICCI CASCADE Reports on *Illicit Markets - A Threat to Our National Interests*

Consumer Affairs Minister flags illicit trade as a major deterrent to India's growth

FICCI CASCADE organized an interactive session on **Illicit Markets - Impacting the Indian Growth Trajectory on April 7, 2015 in New Delhi**. The session enabled a dialogue between the stakeholders on the alarming magnitude of unfair trade practices such as counterfeiting and smuggling and spread awareness about its adverse socio economic impact.

Shri Ram Vilas Paswan, Minister of Consumer Affairs, Food and Public Distribution, chief guest at the event emphasised that illegal trade activities such as smuggling and counterfeiting is a major setback to India's growth and development. This not only hinders the nation's progression but also leads to corruption and black money generation. Given the current emphasis on the 'Make in India' campaign, it becomes imperative that the quality of the products available is not substandard and fake. The Minister further added that illicit trade impacts all sections of society hence it becomes essential to control the quality of goods available in the market. Hon'ble Minister also stated that his ministry would be keen to work with FICCI CASCADE in addressing these issues and invited recommendations in this regard.

On this occasion, the Minister also released 9 sector specific reports entitled 'Illicit Market: A Threat to Our National Interest'. This is perhaps the first quantitative study in India on the impact

of illicit markets on various economic aspects. These sector wise reports, broadly classified into two sections; firstly, the Manufacturing Industry, including FMCG Packaged Foods and Personal Goods, Computer Hardware, Automobiles, Mobile Phones, Tobacco and Alcohol, and secondly, the Media & Entertainment Industry including Broadcasting and Motion Pictures sectors. These reports not only estimates the size of the grey market in the industry sectors, but also highlights the losses to the industry in sales and to the Government in revenue. The studies further assess the impact of illicit markets on innovation, investment, tax arbitrage and financing of organised crime and terrorism.

Dr. Jyotsna Suri, President FICCI in her welcome address stated that the need of the hour today is tangible actions to strengthen our laws, and increase enforcement against illicit trade practices. A coordinated strategy with participation from policy makers, industry, civil society and organizations, is needed to work together and comprehensively address this complex challenge.

Mr. Anil Rajput, Chairman FICCI CASCADE presented the highlights of the study and said that stakeholders must put national interests above anything else. Due to India's growing economic clout in the world market, we must be weary of being targeted by illicit trade operators. Mr. Rajput further added that



national economic policies will need to give more attention to protecting the domestic economy from smuggled and counterfeit products that can wipe value creation from legitimate players in the economy, and cause loss of potential employment.

The study estimates that the loss to manufacturing related sectors has increased by 44.4% in just two years, from ₹ 72,969 crores in 2011-12 to ₹ 105,381 in 2013-14. Loss of sales to the manufacturing industry sectors has increased across all industries. The largest increase is seen in the alcoholic beverages and mobile phones industries, where losses have risen by 151% and 111%, respectively. The total loss to the government for manufacturing industries estimated for 2014, on account of the illicit markets is ₹ 39,239 crores, up from ₹ 26,190 crores in 2012. In the motion pictures industry the loss to the industry for 2014 is expected to be ₹ 1,300 crores approximately. Among all the sectors in the manufacturing industry, loss to the government is highest from the tobacco industry (23 percent) followed by mobile phones industry (17 percent), alcohol industry (16%), FMCG Packaged Food (16%), and FMCG Personal Goods (15%). In the motion pictures industry the loss to the industry for 2014 is expected to be ₹ 1,300 crores approximately.

The study also establishes a relationship between high taxes and availability of illicit products. High tax rates tend to exacerbate illicit markets by creating greater demand for cheap and counterfeit substitutes. A significant reason being, that high tariffs and taxes create opportunities for those involved in illicit markets to step in and supply 'reduced' versions of the original product at lower prices. This is true for the tobacco and alcohol industry. These industries are not only highly taxed; the tax

structure is highly intense and dual in nature. Besides, there are considerable differences in tax rates between states which open up opportunities for illegal cross-border trade.

Earlier, during National Consumer Rights Week, FICCI CASCADE had organized a youth festival - 'Youth for Consumer Rights - Towards Socially Responsible Citizens' in New Delhi. Over 200 students from various schools of Delhi enthusiastically participating in the inter-school Elocution and Painting Competition themed: 'Youth Against Smuggling and Counterfeiting'. Hon'ble Minister also felicitated the winners of both these competitions during the event.

The interactive session was attended by over 100 participants from industry, policy makers, consumer organizations and was well covered by media.



Judiciary Sensitization Programme on Smuggling, Counterfeiting and Piracy

11 April 2015 - Cuttack



FICCI CASCADE in association with the Odisha State Judicial Academy organized a Judiciary Sensitization Programme on Smuggling, Counterfeiting and Piracy on April 11, 2015. The objective of the roundtable was to focus on issues and challenges, which the Judiciary is expected to address in resolving IP disputes in view of the changing scenario of technology and trade policies, and evolving of the law on the subject.

Hon'ble Justice Mr. I. Mahanty, Chairman, Odisha State Judicial Academy, the Chief Guest on the occasion, stated that the judiciary was at the vanguard in taking appropriate actions against all forms of corruption where counterfeiting, smuggling and piracy were its worst form. These illicit activities hit the economic independence of the nation and were like an economic cancer impacting all strata of society. Hence, it becomes imperative for the judiciary to deal with it appropriately. Actions of the judiciary and the strictness of the actions was the key. Thanking FICCI CASCADE for its sensitization programmes on a topical issue, Justice Mahanty observed such initiatives would enable the Judiciary to better understand the severity of the growing problem of economic offences and the need to address it firmly.

Mr. P. C. Jha, Ex-Chairman, Central Board of Excise and Customs and Advisor, FICCI CASCADE, in his address, informed that a recently released study by FICCI CASCADE titled 'Illicit Markets - A Threat to our National Interest' had estimated that due to illicit trade, loss to manufacturing related sectors had increased by 44.4% in just two years, from ₹ 72,969 crores in 2011-12 to ₹105,381 in 2013-14. The total loss to the government for manufacturing industries,

estimated for 2014, on account of the illicit markets was ₹ 39,239 crores. Mr. Jha also added that the penal provisions in the law and the delay in inflicting the penalties, which were largely inadequate, were not being able to create the desired deterrence.

Mr. Arun Chawla, Asst. Secretary General, FICCI, while welcoming the dignitaries and guests, stated that the costs of counterfeiting, piracy and smuggling were not only real, but also huge. With the increase in global trade and technological revolution, there has been an increase in economic crimes. Offences relating to piracy, smuggling and counterfeiting have increased manifold in

global market as a result of which the government, businesses, society and consumers are losing millions of rupees. Protection of legitimate right holders is not only a vital element in encouraging research and innovation, international trade and investment, but also sound economic growth and development. Mr. Chawla also shared the initiatives of FICCI CASCADE in fighting the perils of smuggling and counterfeiting.

Distinguished speakers from Star India, ITC Ltd, Microsoft Corporations India Ltd, British Deputy High Commission, Thought Arbitrage Research Institute and Delhi University discussed and deliberated on various aspects such as Legal Provisions relating to Offences & Penalties for Counterfeiting and Smuggling, Illicit Market: Threat to National Security and Case Study & Laws related to Smuggling, Counterfeiting & Piracy, etc... The day-long programme was attended by over 70 trainee judges and a number of sitting high court judges.



Capacity Building Programme for Police Officials:

1 April, 2015, New Delhi and 27 February 2015, Pune



Police officers attending training in New Delhi and Pune

Police Officers join hands with FICCI CASCADE to fight the menace of Smuggling and Counterfeiting

Over a period of time, trade in counterfeiting and smuggling has developed into a substantial threat to the economy globally. The implication of this menace is manifold as it impacts industries, consumers, government and economies as a whole. So far there has not been any rigorous empirical work on the forces affecting the market with such crimes. This challenge of the time needs to be addressed at a priority with effective enforcement of laws as a key to curb the menace. With a view to highlight the importance of this global threat, FICCI's Committee Against Smuggling and Counterfeiting Activities Destroying the Economy (CASCADE) organised a police training programme on February 27, 2015 in Pune and on April 1, 2015 in New Delhi as a part of its capacity building programme. FICCI CASCADE has been sensitizing enforcement officers on this issue, equipping them to understand and take requisite action against counterfeiter and smugglers.

The programme at Pune was inaugurated by **Mr. Sandeep Kumar, Joint Commissioner of Police, Pune**. In his address, he discussed the increase in smuggling and counterfeiting related crimes at a more rapid rate than the conventional crimes. Mr. Kumar said that "There has been an increase in copyright related crimes, which are dangerous as someone dealing with copyright infringement results in creation of black money creating voluminous parallel economy. This parallel economy is more powerful than the real economy and is endangering the society. Confusion among police officers about law on infringement and violation of intellectual property rights needs to be overcome."

Mr. S. B. K. Singh, IPS, Special Commissioner Security, Delhi Police was the Chief Guest at the training programme in Delhi. Mr. Singh emphasized the role of the police in fighting against

the menace of smuggling and counterfeiting. He stated that although counterfeiting was looked at as a victimless crime, it had many far-reaching consequences and it was extremely important for a police officer to understand the consequences before taking actions on ground. Only then will an officer investigating a case related to smuggling and counterfeiting will be able to understand and take suitable actions. He further added that awareness generation of counterfeit and smuggled items is a must as awareness generation acts as a deterrent to the illicit market operations.

Mr. Deep Chand, Rtd. Special Commissioner of Police, Delhi and Advisor FICCI CASCADE underlined the fact that Section 28 of the Indian Penal Code can help keep a track on supply of duplicate products. "With the globalization of trades, the problem has turned into a global epidemic", Mr. Chand said. He added that most terrorist activities are funded by such illicit market and the primary law enforcement agency must ensure effective enforcement of laws. He highlighted the loss suffered by the center to the tune of more than Rs. 26,190 crore in 2012 due to counterfeiting and smuggling and industry loss of Rs. 72,969 crore according to FICCI CASCADE study on Socio-economic impact of counterfeiting and smuggling in seven key sectors.

Eminent speakers from the industry and legal experts also discussed and deliberated on various aspects police officer needs to keep in mind while investigating cases of smuggling and counterfeiting. The training programme was enthusiastically attended by over 90 officers each at both the places, the programme observed a deliberate discussion and an interactive platform for the exchange of ideas and experiences in the enforcement of laws and practices while dealing with counterfeiters and smugglers.

International News

1. Fakes come at a high price

April 14, 2015 | *The National*

One of the intractable aspects of the trade in counterfeit luxury goods is that even when buyers are alerted to the fake provenance of designer handbags, many will continue with the purchase. The authorities are cracking down on the trade as reported in *The National's* business section today, but a long-term solution is needed. The sale of counterfeit goods not only denies companies the rewards of their meticulously developed brands but is also exploited by organised crime and possibly terrorists, too. Clearly, buying counterfeit goods is far from the victimless crime that some people claim when justifying their purchases.

<http://www.thenational.ae/opinion/editorial/fakes-come-at-a-high-price>

2. Cigarette Smuggling vs. Tobacco Taxes: Which Is Worse?

April 13, 2015 | *CSP net*

Rampant cigarette smuggling isn't the problem in New York--"sky-high" tobacco taxes are, according to an op-ed by Patrick M. Gleason, director of state affairs at Americans for Tax Reform, in *The Wall Street Journal*.

Gleason's opinion piece, titled "A Laffer Curve for Smokes," digested here, takes the city and state of New York to task for their \$180-million lawsuit against UPS over what officials allege was unlawful delivery of nearly 700,000 cartons of cigarettes. (A Laffer curve, named for economist Arthur Laffer, shows the relationship between rates of taxation and levels of government revenue.)

<http://www.cspnet.com/category-news/tobacco/articles/cigarette-smuggling-vs-tobacco-taxes-which-worse>

3. Xiaomi Confronts Counterfeits as Fake Products Eat Into Sales

April 10, 2015 | *Bloomberg*

Xiaomi Corp., the Chinese smartphone vendor that overtook Apple Inc. and Samsung Electronics Co. in the world's largest market, now faces another foe: counterfeiters.

Sales of the company's Mi Power Bank battery pack for smartphones hit 14.6 million units last year, less than half what the total should have been, Chief Executive Officer Lei Jun said at a press conference at the company's headquarters in Beijing Thursday.

"What is the biggest problem? There are many fakes," Lei said. "If there were no counterfeits, our sales would be double or triple. The product has been recognized by everyone."

<http://www.bloomberg.com/news/articles/2015-04-09/xiaomi-confronts-counterfeits-as-fake-products-eat-into-sales>

National News

1. Government flags illicit trade as a major deterrent to India's growth

Apr 08, 2015 | *Meri News*

Union Minister of Consumer Affairs, Food and Public Distribution, Ram Vilas Paswan, has emphasised that illegal trade activities such as smuggling and counterfeiting are a major setback to India's growth and development. This not only hinders the nation's progress but also leads to corruption and black money generation. Given the current emphasis on the 'Make in India' campaign, it becomes imperative that the quality of the products available is not sub-standard and fake. The Minister added that illicit trade impacts all sections of society hence it becomes essential to control the quality of goods available in the market.

<http://www.merineews.com/mobile/article/India/2015/04/08/government-flags-illicit-trade-as-a-major-deterrent-to-indias-growth/15905607#sthash.gt810Mmt.dpuf>

2. DRI seizes cigarettes worth Rs 23 cr at Surat port

March 30, 2015 | *Indian Express*

In one of the biggest foreign cigarette hauls, officials from Directorate of Revenue Intelligence (DRI) at Surat identified and detained six containers from Dubai trying to smuggle imported cigarettes worth Rs 23.29 crore into the country.

While, two of the containers were supposed to contain waste paper, the remaining four were to contain LDPE regrind. The containers were under transshipment from Adani Hazira Port, Surat, and had been imported by two Bhuj-based parties.

<http://indianexpress.com/article/cities/mumbai/dri-seizes-smuggled-cigarettes-worth-rs-25-cr/>

3. Counterfeiting & smuggling to cost govt Rs 1.6 trillion by 2016: Ficci

Feb 28, 2015 | *Times of India*

Counterfeiting and smuggling activities have been increasing at an annual rate of 15% in the country and would cost government Rs 1.6 trillion by 2016, revealed the Federation of Indian Chambers of Commerce and Industry's (Ficci) anti-counterfeiting committee on Friday.

The revelation was made during a 90-minute programme held by the Committee Against Smuggling and Counterfeiting Activities Destroying the Economy (Cascade) here. The programme was aimed at sensitizing police officers about the impact of counterfeit and smuggled goods.

<http://timesofindia.indiatimes.com/city/pune/Counterfeiting-smuggling-to-cost-govt-Rs-1-6-trillion-by-2016-Ficci/articleshow/46402116.cms>

Seminar on 'Curbing Counterfeiting and Smuggling – An Imperative for Indian Economy'

May | Lucknow

FICCI CASCADE believes that awareness and outreach is an essential element in building a proactive strategy to curb counterfeiting and smuggling. FICCI CASCADE is organising a seminar on 'Curbing Counterfeiting and Smuggling – An Imperative for Indian Economy' in Lucknow. The objective of this seminar is to focus on

spreading awareness and enabling a dialogue between the stakeholders on the alarming magnitude of smuggling and counterfeiting and exterminating this demon from the society. There is a need for consumers to demand their right of genuine and authentic products; the seminar aims to awake the consumers on this menace.

Awareness through ART



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