

A hit to *atmanirbharta*



**RAMEESH
KAILASAM**

CEO, IndiaTech.org

Illicit imports, with side-stepping of metrology norms and leveraging of India's FTAs with other countries to beat imposts, are to the detriment of local manufacturing

THE FICCI-CASCADE (Committee Against Smuggling and Counterfeiting Activities Destroying the Economy) recently released a report titled *Illicit Markets: A Threat to Our National Interests*. The report examined the impact of illicit trade in five key industries, viz. mobile phones, FMCG-household and personal goods, packaged foods, tobacco products, and alcoholic beverages. In India, the illicit trade market is growing and increasingly evident; as per the FICCI-CASCADE report, it was valued at ₹2.6 trillion in FY20 for just these five industries.

Despite efforts at the global level, illicit trade, including smuggling, trade in counterfeits, tax evasion, etc, has become a pandemic. The World Economic Forum (WEF) estimates all illicit trade results in an annual drain of \$2.2 trillion (approximately 3% of the global GDP) from the global economy.

On the one hand, India harbours a rising ambition to become a manufacturing powerhouse and a self-reliant economy on the back of supportive government policies, a large workforce, and a massive consumer base. On the other hand, we are seeing a surge in illicit, counterfeit and goods attempting to enter the trade chain clandestinely.

There is also a significant increase in mis-/under-declarations, leading to injury and damage to local manufacturers and MSMEs. There have been

many cases where consignments from different geographies have entered India through mis-declaration and creative packaging methods to beat border-entry regulations and customs duty liability. Such creative mis-declarations are often centred on content, country of origin, pricing, packaging, and retail sales while blatantly flouting inland metrology rules as they neither display MRPs nor country of origin. This is akin to surrogate smuggling.

Some intended mis-declarations are criminal in nature, like getting drugs in while declaring them as some other legitimate product. Others take unfair advantage of FTAs and misrepresent facts. In many cases, the package imported may not reveal where these goods are actually made, and once they enter the Indian market, they are sold in retail/online markets; this is rampant for mobiles, FMCG, tobacco, and even sewing needles!

Addressing the demand-supply gap of legitimate goods, strengthening the domestic manufacturing sector, increasing awareness amongst sellers and consumers, rationalising tariffs to reduce tax arbitrage, creating a conducive environment for local manufacturers, using technology, data, and ana-

lytics to prevent unlawful entry are some of the ways forward. Overall, the cooperation of all stakeholders and concerted efforts of the government, industry, consumers, and international bodies are needed to meet the mammoth challenge of curbing illicit markets.

A visible, coordinated crackdown on the selling of these goods, with higher penalties and enforcement, could act as a deterrent for those who may knowingly/unknowingly be engaged in such trade.

Illicit trade is a global threat, particularly in innovation-driven emerging economies like India. This has, over the years, hampered the growth of legitimate manufacturing, affecting economic growth in mul-

multiple ways apart from reducing overall tax collections.

For products imported illicitly, new *modi operandi* of beating regulations are being seen of late. For instance, a foreign entity listed as the manufacturer of an imported product may be based in country X and have no factory in country Y, with which India has an FTA, for the product. Yet, records would show large volumes of the product imported every month from Y, to claim tariff/duty benefits and sell products cheaply. In another instance, the packaging of a

product imported from country Z for the Indian market would read "Imported from Z", but would be silent on the country-of-origin. The pack-size declared may say 1,000 units, but contain 5,000 or more inside. The container may state some price and country-of-origin, but all the inside packs that get sold in retail market may be silent on both price and country-of-origin, thereby blatantly violating local laws and legal metrology—a fit case for the consumer affairs ministry to probe.

In yet another instance, an imported pack of 100 units may state "contents are not to be sold in loose" to ostensibly meet metrology norms, but, when opened, the pack would consist of 10 sub-packs of ten units each to allow the retailer to sell "loose".

Those on the mainland and those at the borders need to coordinate their efforts to control the menace. Hence, an active collaboration between customs, police, consumer affairs, BIS, and legal metrology is necessary for stricter enforcement of norms.

There is a need for a collaborative effort to ensure that undue leveraging of FTAs, violations of metrology norms, etc, are probed and efforts made to educate shopkeepers, traders, e-commerce sellers about recognising such products and not dealing in them as such trade renders the playing field uneven and works to the detriment of Atmanirbhar Bharat.

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