

## **4. India one of the Largest Gold Smuggling Hubs in the World**

**Prelims Level: Resources**

**Mains Level: GS-I Distribution of Key Natural Resources across the world (Including South Asia and the Indian Subcontinent): Factors, Responsible for the location of Primary, secondary, and Tertiary Sector industries in various parts of the world (Including India).**

### **Why in News?**

- International Non-Government Organisation IMPACT, in its latest report, has said that India has become one of the largest gold smuggling hubs in the world. It is headquartered in Canada.

### **Highlights:**

- Gold possibly tied to conflict, human rights abuses and corruption in Africa and South America is entering legal international markets through India, said IMPACT, in a statement. Actors across India's gold industry are failing to do proper checks on where gold comes from to ensure it's not financing conflict and human rights violations.
- The report said that one-third of the world's gold passed through India, identifying three primary factors for smuggling: tax breaks, falsified origin documents and complicit allies.
- To boost India's refinery sector, the government had introduced tax breaks in 2013 for unrefined gold. According to the report, this led to traders covering up questionable provenance claims by falsifying documentation to take advantage of lower taxes. The import of unrefined gold shot from 23 tonnes in 2012 to over 229 tonnes in 2015.
- Analysis of trade data reveals more declared gold imports to India than some countries are capable of producing, such as in the Dominican Republic and Tanzania, as well as instances of paperwork fraud like in Ghana.
- In the case of the Dominican Republic, as much as 100.63 tonnes of gold dore [unrefined gold] imported to India between 2014 and 2017 cannot be accounted for in the country's gold production.
- The report said that refined gold was being smuggled into India primarily from the United Arab Emirates, while key traders and refiners in Africa's Great Lakes region with links to India were identified as being part of the illicit gold trade.

### **Way Forward:**

- IMPACT recommended harmonising of taxes and enhanced regulatory controls with additional valid information for all imports to discourage smuggling.

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- With India at the heart of a web of the illicit trade of gold, and threads spanning the globe and almost certainly financing conflict and corruption, it is said that the authorities must take action to remove incentives for gold smuggling and ensure the gold industry implements due diligence.
  - IMPACT has also called on those associated with India's gold industry to implement due diligence on their gold supply chains.

