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Impact Global

How does gold smuggling change in the event of a trade war? Tariff increase promotes narco trade, prostitution, trafficking, smuggling, and tax evasion. The countries that are likely to be affected

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A trade war with tariffs on gold or restrictions on gold imports/exports can increase smuggling as traders and criminals seek to avoid higher costs. Gold is highly valuable, easy to transport, and often used for tax evasion or money laundering, making it a prime asset for illicit trade. When tariffs increase, black markets emerge in regions with weak law enforcement. Smugglers shift routes through low-tax or duty-free zones like Dubai, Hong Kong, and Singapore. New financial loopholes develop: increased demand for unofficial gold transactions in cash or cryptocurrencies and more use of fake invoices, underreporting gold purity, or using gold for cross-border barter trade. Criminal groups and illicit traders see higher profit margins. More smuggled gold enters shadow banking systems for tax evasion or corruption.

Tariff Increases Promote Smuggling and Tax Evasion

The relationship between tariff hikes and smuggling is often non-linear but follows predictable trends (as in the table 1):

When India raised gold import duties from 10% to 12.5%, smuggling doubled in 2019. If U.S. -China tariffs increase, gold laundering through Hong Kong and Singapore rises. Impacts on Turkey & UAE: higher taxes push gold trade into informal networks, with Dubai becoming a gold laundering hub.

Countries Likely to Be Affected

Gainers: Countries with Low Tariffs & Lax Oversight

- **Dubai (UAE)** – A historic gold hub, used for rerouting smuggled gold.
- **Switzerland** – A key gold refining center that benefits from diverted trade.
- **Singapore & Hong Kong** – Tax-friendly zones used for gold laundering.

Losers: High-Tariff & High-Demand Nations

- **U.S. & Canada** – Tariffs on gold imports could lead to a black market surge.
- **India** – A top gold consumer with a history of smuggling due to high import duties.
- **China** – A controlled gold market that sees more illegal inflows when tariffs rise.

The effects on artisanal gold mining and organized gold mining

A trade war involving gold tariffs or restrictions can significantly impact both artisanal and organized gold mining but in very different ways. The effects depend on smuggling networks, tax policies, and shifts in global supply chains.

Impact on Artisanal Gold Mining (ASM)

Artisanal and Small-Scale Mining (ASM) involves informal miners who extract gold using low-tech methods. These miners typically sell their gold through local traders, black markets, or smuggling networks.

Table 1. Tariff Increase, and Smuggling and Tax Evasion Impact

Tariff Increase	Smuggling & Tax Evasion Impact
0-5% (Low)	Little effect, legal trade remains dominant.
5-15% (Moderate)	Smuggling networks grow, small traders evade taxes.
15-30% (High)	Large-scale organized smuggling, black-market gold trade booms.
30%+ (Extreme)	Major shift to illicit gold trade, government loses control over revenue.

How a Trade War Affects ASM

Smuggling Becomes More Profitable → Higher tariffs push miners to sell gold illegally, bypassing official channels.

Local Black Markets Grow → Traders and middlemen offer miners better prices than formal buyers. Gold Laundering Increases → More gold is mixed with legally mined sources to disguise its origin. Conflict Financing Rises → In politically unstable regions (e.g., Congo, Venezuela), armed groups take control of ASM.

Illicit traders and smuggling networks profit from arbitrage. Gold refining hubs (Dubai, Switzerland, Turkey) benefit from cheap smuggled gold. Governments lose tax revenue due to illegal gold flows. Ethical mining initiatives struggle as responsible sourcing is bypassed. When India raised gold import duties, ASM smuggling routes from Africa to Dubai expanded significantly.

Impact on Organized Gold Mining (Large-Scale Mining - LSM)

Large-scale gold mining (LSM) involves multinational mining firms with regulated operations, advanced technology, and government oversight.

a. Higher Costs for Mining Equipment & Supplies → Trade barriers raise prices on machinery, fuel, and chemicals.
b. Shifts in Investment & Refining Locations → Companies redirect gold flows to low-tax countries.
c. Government Protectionism Rises → Countries impose quotas or export bans on gold to control markets.
d. Gold Prices May Rise → Trade wars can create economic uncertainty, driving demand for gold as a safe-haven asset.

Who Benefits & Who Suffers in LSM?

Gold-producing nations with stable policies (e.g., Australia, Russia, Brazil) attract investment. Mining giants (Barrick Gold, Newmont, AngloGold Ashanti) benefit if prices rise due to economic uncertainty. High-cost mining firms in countries with expensive tariffs struggle to compete. Refining companies in affected regions lose business to smuggling hubs.

If the U.S. imposed tariffs on Canadian gold, firms like Barrick Gold (Canada-based) might shift refining operations abroad to avoid tariffs and higher costs. Trade wars fuel illegal gold smuggling, benefiting informal miners and black-market traders. Large mining companies must

adapt to shifting refining and trade policies, potentially benefiting from higher gold prices. Governments and tax authorities suffer as smuggling erodes formal revenue streams a table 2 can explain the above.

Does Tariff-Led Smuggling Increase Sex Trafficking, Violence, and Cartel Activity?

Tariff-induced smuggling can lead to an increase in sex trafficking, violence and cartel activity. When tariffs create higher profit margins for illicit trade, organized crime groups expand their operations, often diversifying into human trafficking, drug trade, and violent enforcement.

How Tariff-Led Smuggling Fuels Crime

Smuggling Creates More Routes for Illicit Trade

When tariffs increase, smugglers find new, unregulated pathways to move goods. These same routes are exploited for drugs, weapons, and human trafficking. The U.S. "War on Drugs" led to stronger border enforcement, but cartels adapted by smuggling people, counterfeit goods, and even gold to sustain profits.

High tariffs encourage black market expansion, which criminal groups control. Gold, oil, and minerals become money-laundering tools for cartels. In Latin America, drug cartels use gold mining as a money-laundering front, mixing illicit gold with legal supply chains.

Increased Violence from Turf Wars

More smuggling = more competition = higher levels of violence.

Criminal groups fight over smuggling corridors just like they do for drug routes. Mexico's cartels fight over fuel smuggling (huachicoleros) just as they do for narcotics.

Sex Trafficking Increases along Smuggling Routes

When smuggling expands, traffickers use the same networks to move people. Women and children are trafficked alongside illicit goods, especially in mining towns and border regions. Gold mining in Peru and Venezuela is linked to forced prostitution near illegal mining camps. Oil smuggling in Nigeria increased human trafficking rings along black-market supply chains. Table 3 shows which Industries and Countries are most affected.

Table 2. Who Benefits & Who Suffers in ASM and LSM?

Factor	Artisanal Gold Mining (ASM)	Organized Gold Mining (LSM)
Gold Smuggling	Increases, fuelling black markets.	Increases if high tariffs raise costs.
Supply Chain Impact	More gold sold through illicit channels.	Higher costs for mining operations.
Winners	Smugglers, black-market traders, refineries in Dubai & Switzerland.	Low-cost gold producers, large firms with flexible supply chains.
Losers	Governments losing tax revenue, ethical mining initiatives.	High-cost mining firms, local refineries facing competition from illicit flows.

Table 3. Which Industries & Countries Are Most Affected?

Industry Affected	Crime Impact	Countries Most at Risk
Gold Smuggling	Money laundering, cartel funding	Peru, Venezuela, Mexico, UAE, Switzerland
Oil Smuggling	Cartel control, violent enforcement	Mexico, Nigeria, Libya, Russia
Minerals (Lithium, Cobalt, Rare Earths)	Illegal mining, child labor trafficking	DR Congo, Myanmar, China
Counterfeit Goods & Luxury Trade	Funding for trafficking networks	China, India, Turkey, UAE
Human Trafficking (Sex & Labor)	Smuggling networks used for forced labor & prostitution	Latin America, Southeast Asia, Africa