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Addressing child sex tourism: The Indian case ☆

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ABSTRACT

The paper investigates policy options for a successful fight against child sex tourism in a context of increased human mobility inherent to the global economy era. Using state and district-level data on child-related crimes in India we find that international policy coordination is necessary. Coordination involves a combination of policies aimed at providing a safer environment for children by removing them from the streets (supply-side policies) with those intended to deal with child-related offences (demand-side policies). One-standard deviation increase in coordination efforts reduces the illegal importation of minor girls by 1.24 standard deviation.

1. Introduction

Increased mobility of persons and goods is one of the most remarkable features of the 21st century global economy. This new reality of the world economy has generated tremendous benefits to countries' economies all over the globe but also to individuals. The downside has been an increased facility for some to move across national borders and take advantage of the uneven development of countries' legal frameworks. Child sex tourism illustrates a case in which increased mobility can impose a negative externality to the weaker players, notwithstanding the benefits of increased and faster trade flows.

Extraterritorial crimes involving children have lately drawn much attention from policy makers and the civil society, but not much yet from the research community. Yet, the issue is worth investigating, not only because it involves significant violations of children's rights, but also because it raises interesting policy questions. In 1998, the International Labor Organization estimated that 2–14% of the gross domestic product of Indonesia, Malaysia, the Philippines, and Thailand derives from sex tourism. In the meantime, the U.S. Department of State estimates that as many as 1 million children are exploited by the global commercial sex trade every year. The United Nations Economic Commission for Europe also estimates that total annual revenues of traffickers range from USD 5 billion to USD 9 billion, with 50% of transnational victims being children, according to the U.S. Department of Justice. The global revenues accruing to traffickers thus is by far larger than the national budget of many developing countries — 25 to 50 times larger in the case of Thailand based on 2010 numbers.

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The paper uses India as a case study to shed light on the policy ingredients necessary for a successful fight against child sex tourism. India provides an ideal testing ground for our theory because it is one of the world's largest federations, and interactions between member states mimic the dynamics of international relations in a global economy. As countries worldwide were implementing demand-side policies at various times, supply-side policies were also implemented in different places at different times across India.

We first develop a model showing that countries can tackle the issue in isolation by removing children from the streets — supply-side policies, by enforcing tougher legislations on child sex tourism — demand-side policies, or by doing both. We then exploit the geographical and temporal variations in the implementation of supply-side policies in India and demand side policies in partner countries to test the predictions.

Public investment in child protection is necessary to shield children from potential sex tourists. Expanding the effort at a source-country (say, in India) increases the probability of detection. Likewise, increased effort in other jurisdictions increases the probability that a child sex tourist may be tracked back home and prosecuted successfully. Potential offenders exert effort travelling across national borders and gathering information. That underlies some disutility, but also some potential utility gain if successful. A crime which goes unnoticed in both jurisdictions gives extra-utility from freedom to the author. As tourists visit India, they are subjected to both Indian laws and those of their country of residence, thus the potential for policy interaction.

The empirical analysis uses Indian state and district level data for the years 1994–2005. Data are from “Crime in India”, an official government publication featuring many types of child-related crimes. Those include the “importation of girls”, the “kidnapping and abduction of women and girls”, the “kidnapping and abduction of children”, the “abandonment of children”, the “procuration of minor girls”, the “buying of girls for prostitution”, and cases prosecuted under the “Immoral Traffic (Prevention) Act.” We map these data with the National Child Labour Project in India and which we consider as our supply-side policy. The NCLP was designed to rehabilitate children working in hazardous occupations, and features an increase of USD 31M per year in the level of public expenditures to enforce the law on child-related crimes. We also map the data from “Crime in India” with extraterritorial child sex tourism laws adopted between 1994 and 2005 by countries that provide most tourists to India. These laws constitute our demand-side policy, i.e. a policy which aims at discouraging demand.

We implement a difference-in-differences estimation and find that one-sided policies featuring either supply or demand factors alone are ineffective, whereas policy coordination successfully reduces crime incidence.

Child sex tourism relates to child and human trafficking (Seo-Young et al., 2014; Fong and Cardoso, 2013; Seo-Young and Vadlamannati, 2012; Mahmoud and Trebesch, 2010; Di Tommaso et al., 2009; Dessy et al., 2005). Seo-Young and Vadlamannati (2012) show that ratification of the Anti-trafficking Protocol is not a guarantee for adequate protection and prosecution efforts by individual countries. We show that protection and prosecution efforts are more effective when countries coordinate action.

Child sex tourism also connects to the child labour literature as contributed to by Basu (1999, 2000), Basu and Van (1998), Edmonds (2005) and Edmonds and Pavcnik (2005). However, our contribution is best understood with reference to the economic literature on crime, either from a theoretical perspective (see, for example Becker, 1968; Stigler, 1974; Ferwerda, 2009), or from an empirical point of view (see, for example Ferwerda, 2009; Mahmoud and Trebesch, 2010; Knight, 2013). Most studies in the theoretical literature argue that crime deterrence arises when a higher probability of detection reduces the expected utility to the offender. However, the mechanism by which a higher probability of detection leads to lower expected utility to the potential criminal is not explicitly modelled. Becker (1974) and Ferwerda (2009) share this feature. We show that a higher probability of detection leads potential offenders to put in more effort. As the disutility of effort increases it eventually outweighs its benefit, thus deterring crime.

Eide (1997) in a survey of the literature concludes that most empirical studies find evidence of the association between the crime level and the probability of indictment, while Lewitt and Miles (2006) point to its consistency across methodological approaches. Our results are consistent with Ferwerda's (2009) findings for international money laundering. Out of the potential factors that affect the crime level in Ferwerda's (2009), including the role of law, the institutional framework, the duties of the private sector in law enforcement, and international cooperation, only the last one matters empirically.

The paper is structured as follows. Section 1 presents the model, Section 2 the econometric strategy, Section 3 the empirical results, and Section 4 some robustness checks. Section 5 contains some concluding remarks.

2. The model

We build a simple model consistent with the economic literature on crime (see, for example, Becker, 1968; Stigler, 1974). Our model features two economies, a potential source country where children are at risk of traffic and sexual abuse, and the rest of the world. Offenders may originate from either place. However, since our goal is to investigate issues pertaining to extraterritorial crimes in an increasingly global economy we shall focus attention on prospective child sex tourists and carry out the analysis from the perspective of a given source country, i.e. the victim's country of residence.

A potential child sex tourist sequentially faces two hurdles. In the victim's country of residence (source country), say India, there is a probability, $p \in (0, 1)$, that the crime may be uncovered. Back to the tourist's country of residence, say the U.S., authorities might also find out about the crime with probability, $q \in (0, 1)$. Thus, with probability $1 - p$ and $1 - q$ respectively, the case goes unnoticed in both places, i.e. India and the U.S. For simplicity, we assume that an offender can be apprehended only after the facts.

In this framework a country's ability to detect child sex abuse depends on its level of investment in child protection policies G_k, including the funding of relevant agencies, programmes and staff training. It also depends on the aggregate investment in child