

## REDUCING INTERNATIONAL TOBACCO SMUGGLING: A PUBLIC HEALTH PRIORITY

Tobacco smuggling is an ideal subject for international cooperation through the Framework Convention on Tobacco Control (FCTC) because it is a problem that cannot be adequately addressed at the national level. Approximately one-third of all cigarette exports never reach their intended destination. They disappear into the lucrative black market for tobacco products.

Tobacco smuggling seriously harms public health by undermining tobacco tax policies worldwide and by making tax-free cigarettes available to price-sensitive smokers who might otherwise quit. Smuggling also reduces government revenue that is an increasingly important funding source for tobacco control and other public health programs.

The tobacco industry argues that high tobacco taxes are the primary cause of tobacco smuggling and that reducing taxes is the only cure. The reality is that price is only one of many factors that influence smuggling rates. Other more important factors include: the tobacco industry's own complicity in facilitating smuggling, which is now well-documented; lack of appropriate controls on tobacco products in international trade; and the existence of entrenched smuggling networks, unlicensed tobacco distribution, lax anti-smuggling laws, weak enforcement, and official corruption in some nations.

Because most smuggled cigarettes are diverted into the black market before any taxes or duties are paid, they can be sold for profit almost anywhere. This explains why smuggling is much more prevalent in countries with low tobacco taxes where enforcement tends to be lax, and less common in countries with high tobacco taxes where compliance with tax laws is generally good. In most cases, reducing tobacco taxes in any given country, as the tobacco industry urges, will not solve the problem in that country and will not affect the overall level of smuggling globally.

There is a strong incentive for all nations to protect the integrity of their borders, their public health policies, and their revenue. Moreover, there is a strong tradition of international agreements to reduce trafficking in contraband goods such as firearms, pharmaceutical products, alcohol and illegal drugs. There are also well-established policy tools for reducing smuggling in such goods. These tools have simply not yet been applied to tobacco products.

Initial drafts of the FCTC and an anti-smuggling protocol propose many helpful provisions, including:

- A comprehensive system of marking tobacco products to allow better tracking and identification of smuggled products, including prominent tax-paid and country-of-origin markings;
- Mandatory licensing of all parties involved in tobacco product distribution;
- Record-keeping requirements for all parties involved in the tobacco trade to assist in anti-smuggling efforts;
- Major increases in the relative priority and sophistication of anti-tobacco smuggling efforts, including use of better tracking systems, new scanning technology, state-of-the-art risk

management techniques, improved cooperation between relevant government agencies, and increased training and staffing for tobacco tax enforcement units;

- Creation of an international technical body, funded by countries in proportion to their funding of the World Health Organization, that would assist signatories to the Convention in sharing information, training, technical assistance, research and resources, with special attention to the funding needs of developing nations; and
- Elimination of duty-free sales.

Additional measures that should be considered as part of a final protocol include:

- Major reform of the system for transporting tobacco products in international commerce, including a requirement that the country of destination, and all countries through which a shipment passes, issue specific permits, licenses or authorization before a shipment is released into international commerce. Serious consideration also should be given to the feasibility of establishing a system through which applicable tobacco taxes, or an equivalent bond, would be collected before shipments are released into international commerce.
- Agreement by all parties to exercise the maximum jurisdiction allowed under international law over their nationals (corporations and individuals) involved in tobacco smuggling outside of their territory; and
- Agreement by all parties to implement a system of rewards for information leading to convictions of those involved in international tobacco smuggling.

An anti-smuggling protocol to the Framework Convention on Tobacco Control holds great promise for public health. The protocol can be based largely on successful measures already in place in other international agreements governing trade in firearms, pharmaceutical products, alcohol and other products subject to high rates of smuggling. The protocol would prevent smuggling both through its specific provisions and by stimulating the political will and the commitment of resources that are essential to eliminate the unacceptably high rate of smuggling that now prevails.

Resources: <http://tobaccofreekids.org/reports/smuggling/>