Illicit Trade of Tobacco: Some Basic Facts

The illicit trade in tobacco products undermines efforts to reduce tobacco use and save lives, and costs governments billions of dollars in lost tax revenue. It has been estimated that, if global illicit trade were eliminated, governments would immediately gain at least US $31 billion in revenue, and beginning in 2030, more than 160,000 lives would be saved per year.[1]

Tobacco control is not the principal driver of illicit trade in tobacco. Levels of illicit trade are generally higher with lax law enforcement and criminal prosecution, weak penalties for smuggling crimes, and corruption in a country. Other factors include the ease and cost of operating in a country, organized crime networks, government policies on illicit trade of tobacco products, and the general acceptance of illicit trade in a country.[2]

Further complicating the public health and governance issues caused by illicit tobacco trade, tobacco companies often exaggerate the nature of illicit trade in order to scare policymakers from taking science-based steps to reduce tobacco use. The tobacco industry exaggerates the impact of tobacco control on illicit trade because communicating the simple truth does not serve its interest. **Strong tobacco control policies reduce tobacco use even in the presence of illicit trade.**

Historically, the tobacco industry has benefited from cigarette smuggling and has even participated in it directly.[3,4] A report released by a Parliamentary committee in the United Kingdom found that in 2011 major tobacco companies oversupplied some European markets with more products than the legitimate market in those countries could handle. The report concluded that manufacturers deliberately looked the other way when the tobacco was smuggled back into the UK.[5] Internal British American Tobacco (BAT) documents reveal that illicit trade was both profitable and integral to BAT operations in the People's Republic of China over the span of two decades.[6] BAT's involvement in cigarette smuggling in Africa and Lebanon has also been documented.[7,8] More recently, in South Africa, it was estimated that cigarette manufacturers flooded the market with up to 12 billion illicit cigarette sticks annually.[9]

Experience shows that illicit trade can be controlled by strong tax administration (e.g. use of prominent tax stamps, serial numbers, etc.), customs and law enforcement (e.g. improving corporate auditing, better tracking systems, and good governance), and tougher penalties for violators.[10] Revenue generated by tobacco tax increases can finance these activities.

The Protocol to Eliminate Illicit Trade in Tobacco Products (ITP)[11] was adopted by the Parties to the WHO Framework Convention on Tobacco Control (FCTC) in November 2012. The ITP calls for supply chain controls related to licensing, tracking and tracing, record-keeping; regulation of tobacco product sales by internet, phone and tax- and duty-free zones; and criminal liability and international cooperation. The ITP complements and expands Parties' obligations under Article 15 of the FCTC. There are 51 Parties to the ITP, which entered into force on September 25, 2018.

According to what is set forth in WHO FCTC Article 5.3 and the Preamble of the ITP, countries should guarantee that any interaction with the tobacco industry is carried out with maximum transparency. Taking into account the evidence that demonstrates that the tobacco industry has promoted the smuggling of cigarettes as part of its business activity, **governments should not allow the tobacco industry to participate in the development and implementation of policies and strategies to confront illicit trade.**

For more information about tracking and tracing systems to control the trade of illicit tobacco products, see ***Track and Trace Systems to Address the Illicit Trade of Tobacco Products: Best Practices & Country Experiences.***

References

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