

17 Illegal cigarettes

"Smuggled cigarettes are cheap cigarettes and cheap cigarettes means more consumption among the young and the poor and that increases consumption markedly."
Dr Derek Yach, WHO, 2002

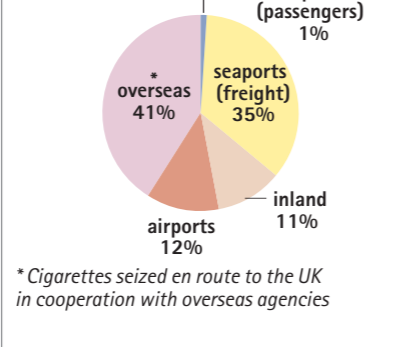
Billions of cigarettes are smuggled each year, equal to about one-third of the total cigarette market. Cigarettes are the world's most widely smuggled legal consumer product. They are smuggled across almost every national border and along constantly changing routes.

Cigarette smuggling causes immeasurable harm. International brands become more affordable to low-income consumers and youth in developing countries, stimulating consumption. Tobacco companies reap greater profits while governments lose millions in tax revenue needed for tobacco control and to treat tobacco-related diseases. Cigarette smuggling bypasses legal restrictions and health regulations.

Smugglers are increasingly looking to counterfeit sources for their contraband. Between 2003 and 2004, 54 percent of seized cigarettes in the UK were counterfeit, three times more than between 2001 and 2002. The World Customs Organization estimates that China is a major source of "fake" cigarettes bound for sale in Europe with 190 billion counterfeit cigarettes produced each year.

Efforts to prevent cigarette smuggling are an important element of the WHO Framework Convention on Tobacco Control and international agreements to control smuggling are likely to be one of the first measures adopted.

UK seizures of smuggled cigarettes



How to stop smuggling

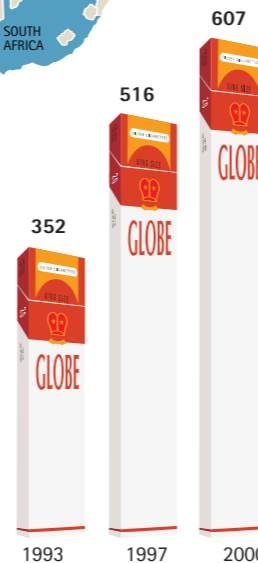
The benefits of smuggling to the tobacco industry:

- no financial loss to industry, whereas governments lose tax revenue
- flooding of market with cheap cigarettes makes them more affordable to youth and encourages new smokers
- raises brand profile and promotes brand loyalty
- can use "smuggling argument" to dissuade governments from raising tobacco taxes
- gain access to markets closed to legitimate imports

Strategies to stop smuggling:

- monitor cigarette routes
- use technologically sophisticated "tax paid" markings on tobacco products identifying point of origin and destination
- print unique serial numbers on all packages of tobacco products
- increase penalties
- collaborate with other countries via WHO FCTC and customs authorities

"The deeper we dig into these [cigarette-smuggling] cases, the more ties to terrorism we're discovering."
Michael Bouchard, assistant director of the federal Bureau of Alcohol, Tobacco, Firearms and Explosives, 2004



Evading duty

Estimated number of smuggled cigarettes worldwide 1993-2000
billions