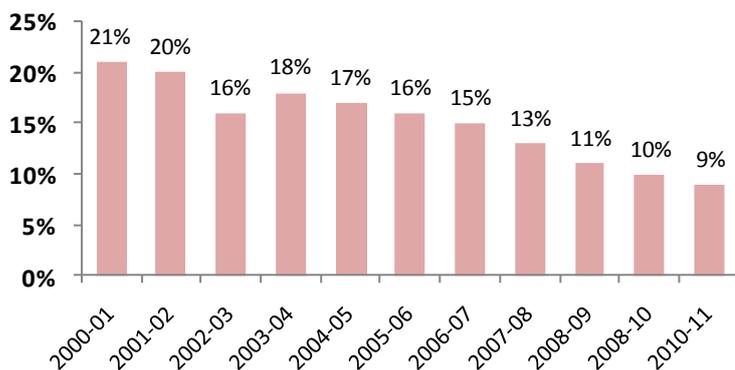


The facts about the illicit tobacco market

HM Revenue & Customs figures show that the illicit market for cigarettes in the UK has more than halved in a decade to 9%¹. This is due to better enforcement by government agencies and strict curbs on the tobacco industry's own activities².

The Trading Standards Institute, a representative from the EU anti-fraud office and police involved in combating tobacco smuggling in the North of England say that the introduction of standardised packaging is likely to have little or no significant impact on the level of illicit trade^{3,4}.

A new parliamentary report concurred "The tobacco industry and its funded surrogates have repeatedly claimed that the introduction of standardised packaging for cigarettes and other products would lead to an increase in illicit trade... The evidence for these claims is in fact poor"⁵.



The illicit cigarette market has been falling since its peak in the early 2000s⁶, yet the tobacco industry claims the illicit trade is 'booming'⁷ (which a parliamentary report noted is "contrary to the available statistics"⁸). Even their representatives (the Tobacco Manufacturers Association) accept that the consumption of illicit tobacco in the UK is falling⁹.

Court cases and reports by the Health Select Committee and the Public Accounts Committee began a process that, in 2002-03, led to the leading UK tobacco manufacturers signing a Memorandum of Understanding which placed more responsibility for smuggled cigarettes on producers, requiring them to control the supply chain.

Tobacco industry involvement

There is evidence of continuing involvement in the illicit trade by major tobacco companies. In 2009 it was reported that all the four big manufacturers in the UK have over-supplied the Ukraine fuelling a \$2billion black market that reached across the EU¹⁰. In 2012, Japan Tobacco International (JTI) was accused of smuggling activities in the Middle East and is now under official investigation by the European Anti-Fraud Office, OLAF¹¹. It is alleged that JTI's Middle East business partner "poured cigarettes into duty free shops" with the profits going to a company named by the EU as helping fund the Assad regime in Syria¹².

Standard packs will not increase illicit tobacco trade

As early as 2004, research from HM Customs and Excise revealed that the outside pack was the least likely indicator of the carton being counterfeit¹³. The industry has argued that standard packs will increase the illicit trade. This argument appears counter-intuitive given that counterfeiters try to benefit from the brand recognition associated with premium brands¹⁴. The existing packs are already so easy to forge that they have covert markings to enable enforcement officials to distinguish illicit cigarettes¹⁵. With these markings and large pictorial warnings standard packs will not be easier to forge.

Taxation

The price of duty-paid tobacco products is *not* the most important factor in determining levels of illicit trade. The UK has some of the highest tobacco taxes in the world. On some brands tax accounts for up to 88% of the RRP¹⁶. The fall in the illicit trade has continued despite rising tobacco taxes and consequent high prices in the same period.

Research

Cancer Research UK commissioned a report from international illicit tobacco expert, Luk Joossens, who concludes with the simple statement: "Plain [standardised] packaging will not make any difference to the counterfeit business." (The full report is available at cruk.org/tobacco).

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