

# Media Briefing



## The Illicit Trade in Tobacco

### How international cooperation can save lives and billions of dollars

November 5, 2007 - Tobacco kills more people than AIDS, other legal and illegal drugs, road accidents, murder and suicide combined.<sup>1</sup> Currently around five million people worldwide die each year from tobacco-related causes, including cancer, heart disease and respiratory diseases.<sup>2</sup> In comparison, HIV/AIDS is responsible for three million deaths each year.<sup>3</sup>

The death toll is increasing: the World Health Organization projects that by 2025 the annual number of deaths resulting from tobacco will almost double.<sup>4</sup> Of approximately ten million deaths per year by 2030, an estimated three million will occur in the developed world and seven million in developing countries.<sup>5</sup>

Increasing the price of tobacco products through taxation is a proven, effective method of reducing tobacco consumption. A 10% increase in price on a packet of cigarettes is likely to reduce tobacco consumption by about 4% in high-income countries and by about 8% in low- and middle-income countries.<sup>6</sup>

Illicit trade in tobacco products contributes to tobacco consumption by making cigarettes available cheaply, undermining efforts to stop young people, in particular, from smoking. Illicit trade thus significantly diminishes the effectiveness of high tobacco taxation policies, and leads to the evasion of other effective tobacco control measures, including prohibitions on selling to minors and health warning requirements.

In addition to being a major health problem, illicit trade in tobacco products poses a significant threat to the maintenance of law and order. There is evidence that illicit trade in tobacco products is carried out by organized transnational criminal groups, and that money gained from illicit trade in tobacco products is used for other serious criminal enterprises, including terrorist operations.<sup>7</sup>

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<sup>1</sup> Action on Smoking and Health (ASH UK), *Tobacco: Global trends* (Research report, August 2007) 2, [http://newash.org.uk/files/documents/ASH\\_562.pdf](http://newash.org.uk/files/documents/ASH_562.pdf).

<sup>2</sup> World Health Organization, *Building Blocks for Tobacco Control: A Handbook* (2004) 6, [http://www.who.int/tobacco/resources/publications/tobaccocontrol\\_handbook/en/](http://www.who.int/tobacco/resources/publications/tobaccocontrol_handbook/en/).

<sup>3</sup> ASH research report. Tobacco: Global trends

<sup>4</sup> World Health Organization, *Building Blocks for Tobacco Control: A Handbook* (2004) 6.

<sup>5</sup> A.S.M Abdullah and C.G Huston, Promotion of smoking cessation in developing countries: a framework for urgent public health interventions (2004) 59 *Thorax* 623-630, <http://thorax.bmj.com/cgi/content/full/59/7/623>.

<sup>6</sup> World Bank, *Curbing the Epidemic: Governments and the Economics of Tobacco Control* (1999) 41, <http://www1.worldbank.org/tobacco/reports.htm>.

<sup>7</sup> See for example, U.S. General Accounting Office, *Terrorist Financing: U.S. Agencies Should Systematically Assess Terrorists' Use of Alternative Financing Mechanisms*, Report to Congressional Requesters GAO-04-163 (November 2003) 11-12, <http://www.gao.gov/new.items/d04163.pdf>; Center for Public Integrity, *Tobacco Companies Linked to Criminal Organizations in Lucrative Cigarette Smuggling* (March 2001), <http://www.publicintegrity.org/report.aspx?aid=351>.

In 2006, the global illicit cigarette trade was estimated to be around 11% of sales, or 600 billion cigarettes, and losses to government revenue as a result of illicit trade in tobacco products were estimated to total approximately \$US40 to \$US50 billion.<sup>8</sup>

Significantly reducing the illicit trade in tobacco products would deliver billions of extra dollars in revenue to governments and would contribute significantly to the effectiveness of measures implemented to reduce tobacco consumption and the death and disease that it causes.

Because illicit trade in tobacco products is a transnational problem, primarily consisting of large-scale organized smuggling involving the illegal transportation, distribution and sale of large consignments of cigarettes and other tobacco products,<sup>9</sup> a significant reduction in the illicit trade will require the implementation of a comprehensive system of international cooperation. Recognizing the need for such a system, the Parties to the WHO Framework Convention on Tobacco Control<sup>10</sup> have agreed to begin negotiations on a protocol on illicit trade in tobacco products to supplement the provisions of the Convention.<sup>11</sup>

An effective protocol could contribute to the elimination of illicit trade in tobacco products through such measures as:

- the tracking and tracing of tobacco products, which will enable the point of diversion from the legal market to the illicit market to be identified;
- obligations on manufacturers of tobacco products to control the supply chain for their products, with serious penalties for those that fail to do so including liability for unpaid taxes and duties on seized products;
- licensing and other arrangements to monitor and control the behavior of participants within the tobacco supply and distribution chains;
- enhanced law enforcement and international cooperative measures, including information sharing, cooperation in respect of investigation and prosecution of offences, mutual legal assistance and extradition arrangements, which will increase the effectiveness of international action against the illicit trade, both in genuine manufactured and counterfeit tobacco products.

Negotiations on the protocol will begin in February 2008 in Geneva, and should conclude in time for the protocol to be adopted at the fourth session of the Conference of the Parties to the Framework Convention on Tobacco Control in 2009 or 2010.

Further information including policy briefings is available at [www.fctc.org](http://www.fctc.org).

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<sup>8</sup> Framework Convention Alliance, How big was the illicit trade problem in 2006? (Geneva 2007), [http://fctc.org/x/documents/HowBigWasTheIllicitTobaccoTradeProblem\\_2006\\_English.pdf](http://fctc.org/x/documents/HowBigWasTheIllicitTobaccoTradeProblem_2006_English.pdf).

<sup>9</sup> World Bank, *Curbing the Epidemic: Governments and the Economics of Tobacco Control* (1999) 63-65, <http://www1.worldbank.org/tobacco/reports.htm>.

<sup>10</sup> (Adopted 16 June 2003, entered into force 27 February 2005) <http://www.who.int/tobacco/framework/download/en/index.html>.

<sup>11</sup> Conference of the Parties to the WHO Framework Convention on Tobacco Control, Second Session, Decision FCTC/COP2(12), 'Elaboration of a protocol on illicit trade in tobacco products', [http://www.who.int/gb/fctc/PDF/cop2/FCTC\\_COP2\\_DIV9-en.pdf](http://www.who.int/gb/fctc/PDF/cop2/FCTC_COP2_DIV9-en.pdf).