

# The Illicit Trade in Tobacco Products

## How International Cooperation Can Save Lives and Billions of Dollars

The illicit trade in tobacco products is a major international problem that requires an international solution – to reduce tobacco use and save lives, combat organized crime and recoup \$US billions in lost government revenue.

The illicit tobacco trade refers primarily to the smuggling and counterfeiting of tobacco products, as well as bootlegging and other illegal manufacturing of tobacco products. In fact, cigarettes are the world's most widely smuggled legal consumer product. It was estimated that in 2006 illicit trade accounted for 10.7 percent of global cigarette sales, or about 600 billion cigarettes.

Illicit trade contributes to tobacco consumption - and higher rates of tobacco-related disease and death – by making tobacco products available more cheaply, which particularly encourages price-sensitive young people. It also circumvents public policies to reduce tobacco use, especially high tobacco taxation policy, which evidence shows is one of the most effective ways to reduce tobacco consumption.

Illicit trade in tobacco products also deprives governments of \$US billions in tax revenue each year and poses a significant threat to the maintenance of law and order, and even to international security. There is evidence that the illicit tobacco trade is carried out by transnational criminal groups and that the money gained through illicit trade has been used for other serious criminal enterprises, including terrorist operations.

Illicit trade in tobacco products is a transnational problem that cannot be effectively addressed without international cooperation and action. Recognizing this, more than 150 nations on February 11, 2008, will launch negotiations on an international treaty to combat the illicit trade in tobacco products. The illicit trade treaty will be negotiated as a supplementary treaty, or protocol, to the existing World Health Organization tobacco control treaty, the WHO Framework Convention on Tobacco Control (WHO FCTC), which became international law in February 2005.

The WHO FCTC obligates ratifying nations to implement effective measures to reduce tobacco use, including high tobacco taxes, strong health warnings, laws requiring smoke-free workplaces and public places, and bans on tobacco advertising, promotion and sponsorship.

As the illicit tobacco trade can circumvent several of these measures, especially tobacco taxes, a strong treaty to combat the illicit tobacco trade is essential to effective and successful implementation of the WHO Framework Convention on Tobacco Control – and to reducing tobacco use and saving lives around the world.

The nations that are Parties to the WHO FCTC have set a goal of completing negotiations on the illicit trade treaty by 2010.



## **Public Health Impact of the Illicit Tobacco Trade**

Tobacco kills more people than AIDS, other legal and illegal drugs, road accidents, murder and suicide combined. 5.4 million people worldwide die each year from tobacco-related illnesses, including cancer, heart disease and respiratory diseases.

The death toll is increasing: the World Health Organization projects that by 2030 unless urgent action is taken, tobacco's annual death toll will rise to more than eight million.

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

## **Economic Impact of the Illicit Tobacco Trade**

- In 2000, an estimated 607 billion cigarettes were smuggled worldwide depriving governments of \$US billions each year in revenue. Illicit tobacco trade is estimated to deprive governments of \$US 40 – 50 billion each year in revenue, which is more than the GDP of two-thirds of the world's countries.
- 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.

## **Public Safety Impact of the Illicit Tobacco Trade**

- In addition to being a major health and economic problem, illicit trade in tobacco products poses a significant threat to the safety of the public. There is strong evidence that illicit trade of tobacco products is carried out by organized international criminal groups, and that money gained from illicit tobacco trade is used for other serious criminal enterprises, including terrorist operations.

## **The Solution: Developing an Illicit Trade Protocol**

- The Framework Convention Alliance (FCA), an international organization of more than 300 tobacco control organizations, is urging governments to include the following provisions in the illicit trade protocol:
- 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; and
- Enhancing 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.