

Illicit tobacco trade and EM Region

Evidence

Tobacco Free Initiative

WHO EMRO



**World Health
Organization**

Regional Office for the Eastern Mediterranean

A strong illicit trade protocol is a key part of the FCTC

Why?

- defrauds governments and taxpayers
- increases level of crime and corruption
- puts cheaper cigarettes on the street
- undermines a powerful tobacco control policy – use of higher taxes to reduce smoking.

Source: World Bank, 1999, Joossens 2002,

Acknowledgements; Joe de Beyer (WB) presentation in international conference on illicit trade 2002



Illicit trade is a serious problem.

But

- exaggerations
- disinformation
- misconceptions and
- information gaps abound.

However there is enough **evidence** that needs to be known and understood.

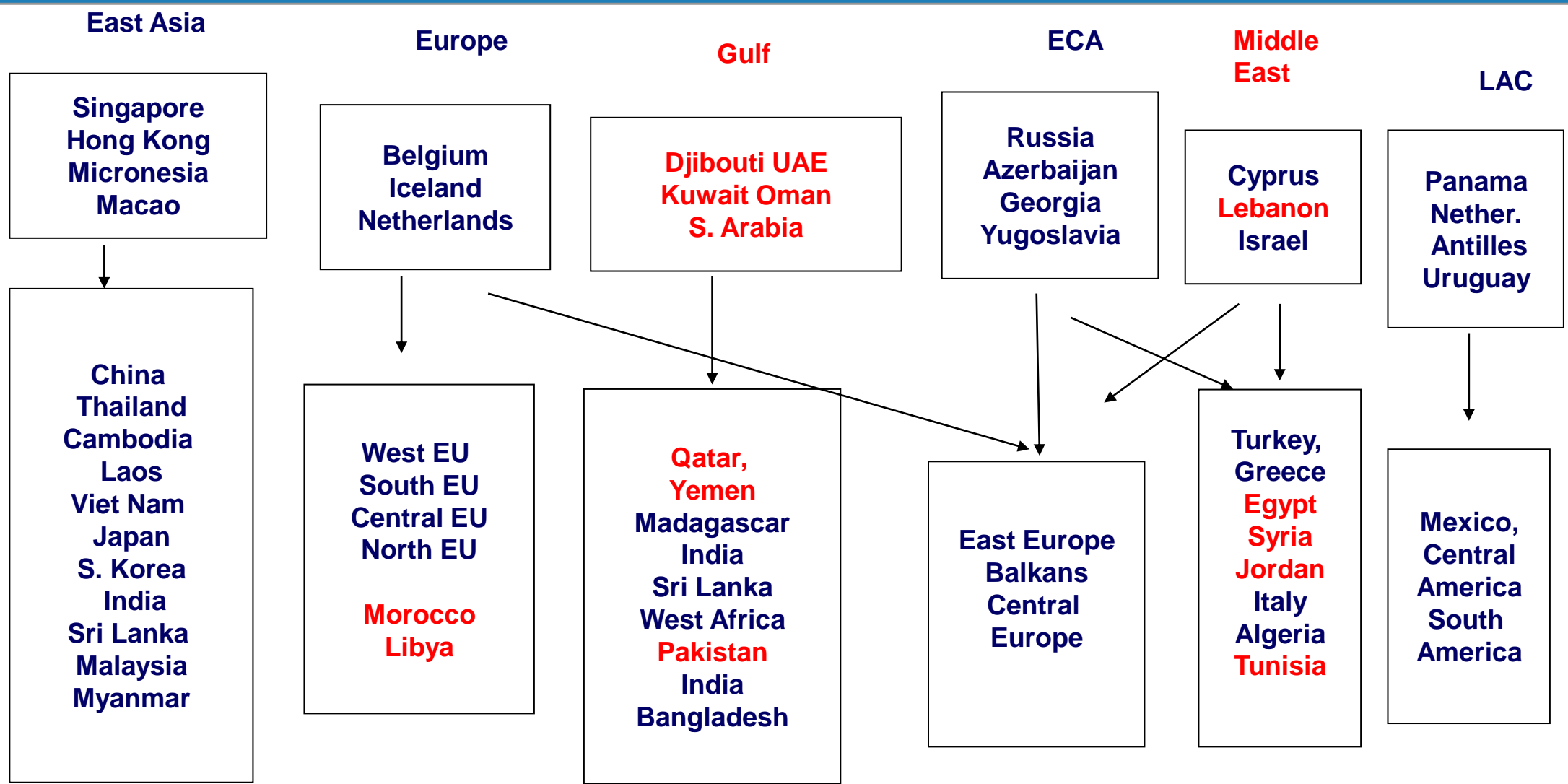


Who benefits from smuggling?

- World Bank report, *Curbing the epidemic: governments and the economics of tobacco control, 1999*; suggests that **the industry itself will benefit from the existence of smuggling**. Studies of the impact of smuggling show that when smuggled cigarettes account for a high percentage of the total sold, the average price for all cigarettes, taxed and untaxed, will fall, increasing sales of cigarettes overall.



Map for Possible Smuggling Routes



Acknowledgements; Joe de Beyer (WB) presentation in international conference on illicit trade 2002



Industry is party to illicit trade!

BBC interview: Gallaher spokesperson

“We will sell cigs legally to our distributors in various countries. If people, if those distributors subsequently sell those products on to other people who are going to illegally bring them back into this country, that is something outside of our control.”

You could stop supplying them:... “Then they would smuggle someone else’s product”.

Guardian: interviewing Deputy Chairman of BAT

“We act... on the basis that our brands will be available alongside those of our competitors in the smuggled, as well as the legitimate market..... :



‘Neutral terms’ used by Tobacco industry

- “Legal imports [of BAT] brands would attract high enough duty to make them difficult to sell, but there is indication that ‘legal’ imports could hide large scale transit activity.”
- The companies referred to this type of dynamic by the term “umbrella operations”.
- The companies use a variety of euphemisms for smuggling, including “duty not paid” (or DNP), “transit” and “general trade” (or GT).



The link between the transit trade and smuggling; from BAT document!

- Question 10: What is transit trade?

Transit trade is the movement of goods from one country to another without the payment of taxes and tariffs. **It is more commonly known as smuggling.**

- Question 12: Is BATco a willing party in smuggling activity?

No. We do not condone smuggling. Because of excessive taxation and trade restrictions/embargoes smuggling is inevitable



Middle East 'Transit' market..

From industry documents

- “Iran, Iraq, Syria and Lebanon have a Government monopoly on cigarette manufacturing and in Syria and Lebanon on imports as well...Lebanon permits free imports. Syria allows limited quantities whilst there is a complete ban in Iran. Despite this, or because of this, **62% of Iran's market is Transit.**”
- ... because it was very unlikely that [company name deleted] customers would obtain import licenses....If there are opportunities for **transit to Iraq** these should be taken up. If there are opportunities for **transit to Iran** these should be taken up. Jordan — opportunities for legal imports to be fully investigated before we seek **transit** opportunities.



Using local ‘Transit Agents’

- Emil Schildt, BAT’s transit coordinator based in Hamburg, described Kental a very valuable customer for our [BAT] Group, **who have extensive connections in transit in Middle East**, what they proved during their 15 years agency for Lorillard and B&W.
- (Interview with Walid Salam, DG Lebanon Reggie 22 May 2006.): “We sold it in Lebanon (like Marlboro) and others took it outside on their own responsibility. It was their own problem. **They took it to Syria, Iran and Iraq. We did not do anything illegal since we were not the ones smuggling, we are selling them here ...** but the real market in Lebanon is between 50 to 55,000 cases...we reached up to 120,000 cases a month.

Tobacco Control 2008;17:324–331. doi:10.1136/tc.2008.025254



Intended destinations are not the Final destinations

- Beirut's imported cigarettes are distributed to traders and merchants in various countries in the Middle East and North Africa. . . . It appears that the major customers for cigarettes distributed from Lebanon are Iran and Iraq. . . . From Beirut to Dubai or Oman and then to Iran is the path of some of the US cigarettes destined for Lebanon. Trucks now carry cargo through Syria to reach the open air markets in Iraq, like the elaborate facility in Mosul.

*Parker J. Lebanon, an expanding US cigarette exports.
Tobacco International, October 2001, 35.*



Intended destinations are not the final destinations

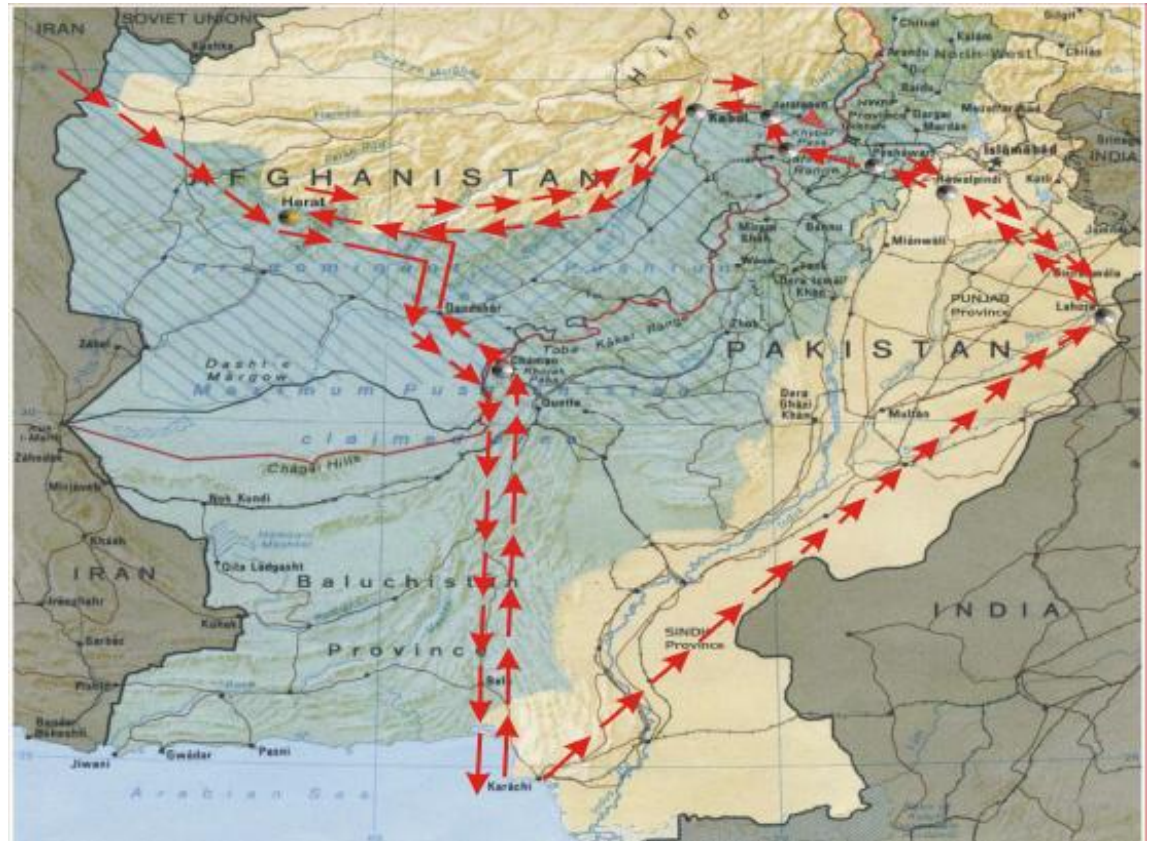
- ‘Cyprus is an **important distribution point** for US cigarettes going **to Iran** through traders in **Oman**. At the same time, some of these cigarettes are sold to traders in Turkey who take them **into Iraq**”.

Parker J. US cigarette exports set to decline further. World Tobacco, July 2001, 41–4.



Pakistan-Afghanistan route

- At least 11 different routes for smuggling between Pakistan-Afghanistan.
- Anonymous dealers referred **UAE>Iran>Afgh>Pak** & **China>UAE>Afghanistan** as major routes for smuggled cigarettes



Framework Convention Alliance, Illicit Cigarette Trade in and through Pakistan; March 2010

Officials' involvement?

One customs official explained:

- *'When big consignments of goods want to pass, they (the large-scale smugglers) contact our boss, who then tells us: when you see this and this truck coming, you have to let it pass.....'*

Titeca et al. Tobacco Control 2011;20:226-232



Further information

<http://www.emro.who.int/tobacco/publications/monitoring-the-tobacco-industry.html>

- Coveting Iran: The infiltration and exploitation of Iran by global cigarette companies. 2008
- Tobacco industry activities in the Eastern Mediterranean Region: Illicit tobacco trade. 2004
- The cigarette "transit" road to the Islamic Republic of Iran and Iraq: Illicit tobacco trade in the Middle East. 2003



Challenges of Illicit tobacco trade

- A porous coast lines and spread-out dry land borders
- Undeclared production
- Unaccounted for exports:
 - Declared in the system but do not reflect as imports in the country of importation
 - Fictitious importers
- Undeclared imports of raw tobacco and finished products
- Counterfeited products
- Under declared tax values



Control measures that should be in place

- Licencing controls
- Production monitoring, raw materials
- Tax stamps
- Electronic Cargo Tracking System
- Exports management
- Bilateral information sharing

Sign and ratify the illicit trade protocol

