

Status of the illicit tobacco trade in the Eastern Mediterranean Region

Types of illicit tobacco trade

Different types of illicit tobacco trade exist. The most important types are as follows.¹

- Large-scale organized smuggling of tobacco products involves the illegal transportation, distribution and sale of large consignments of cigarettes and other tobacco products.
- Small-scale smuggling or 'bootlegging' involves individuals or small groups purchasing tobacco products, which exceed customs regulations, in low tax jurisdictions for resale in high tax jurisdictions.
- Illicit manufacturing is the manufacturing of goods in breach of laws, such as taxation laws or other laws, including licensing laws, which restrict manufacturing of tobacco products. Counterfeit tobacco production is a form of illicit manufacturing in which the manufactured products bear a trademark without the consent of the trademark's owner.

Global size of the problem

Cigarettes are the most commonly smuggled tobacco product, but smuggling occurs with all types of tobacco. In Canada, for instance, there were 105 seizures of Egyptian waterpipe tobacco originating in Lebanon, the United States and Egypt in 2005.² The Framework Convention Alliance has estimated that illicit trade in cigarettes represented 10.7% of global sales, or 600 billion cigarettes, in 2006. Losses of revenue from illicit tobacco trade could represent a loss to government revenue of US\$ 40–50 billion annually.³

Impact on public health

Illicit tobacco trade results in increases in consumption and thus health problems, because it makes tobacco available more cheaply.⁴ An international team of tobacco control experts, led by Cancer Research UK's director of tobacco studies Professor Robert West, suggest that four thousand deaths could be prevented in the United Kingdom each year if smuggling was abolished. Four times more people die from the effects of smuggled tobacco than from all illicit drugs combined in the United Kingdom.⁵

A word of caution

Estimates on illicit tobacco trade are seldom precise and some caution is necessary. The source of the estimate is important. The authors of the 2000 World Bank report acknowledged that tobacco industry experts may have an incentive to exaggerate the smuggling problem (in order to lobby for reduced taxation of the product) while public health advocates may have an incentive to understate the size of the smuggling problem.⁶

Studies on the illicit tobacco trade

Independent research studies on the size of the illicit trade problem in the WHO Eastern Mediterranean Region almost do not exist. One exception is the study of the Tobacco Prevention and Control Research Center in Tehran in 2005–2006 which concluded that 44% of the cigarettes in Tehran are illicit. The study showed that women are more attracted to foreign and smuggled cigarettes. 72% of the women in Tehran smoked illicit cigarettes compared to 37% of men (Table 1).⁷

¹ Framework Convention Alliance. *Glossary of terms in the illicit trade in tobacco products. Fact sheets for INB2*. Geneva, Framework Convention Alliance, October 2008.

² Health Canada. *Report to the Conference of the Parties on the implementation of the Framework Convention on Tobacco Control*. Ottawa, Health Canada, August 2007. Available at <http://www.hc-sc.gc.ca/hl-vs/pubs/tobac-tabac/cop-cdp/part-section4-1-eng.php>.

³ Framework Convention Alliance. *How big was the illicit tobacco trade problem in 2006? Fact sheets for INB1*. Geneva, Framework Convention Alliance, February 2008.

⁴ Joossens L et al. Issues in the smuggling of tobacco products. In: Jha P, Chaloupka F, eds. *Tobacco control policies in developing countries*. Oxford University Press, 2000:393–406.

⁵ West R et al. Why combating tobacco smuggling is a priority. *British Medical Journal*. Published online 9 October 2008, doi:10.1136/bmj.a1933.

⁶ Merriman D, Yurekli A, Chaloupka F. How big is the worldwide cigarette smuggling problem? In: Jha P, Chaloupka F, eds. *Tobacco control in developing countries*. Oxford University Press, 2000:365–92.

⁷ Heydari G et al. *What cigarette brands do smokers use in Tehran, 2006?* Tehran, Tobacco Prevention and Control Research Center, 2008.

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Table 1. Frequency distribution of legal and illegal cigarette smoking in Tehran, 2005–2006

Users	Types of brand		Total
	Legal	Illegal	
Male	1098 63%	646 37%	1744 100%
Female	126 27.5%	332 72.5%	458 100%
Total	1224 55.6%	978 44.4%	2202 100%

Source: Tobacco Prevention and Control Research Center, Tehran

Illicit tobacco trade estimates

An overview of estimates on the illicit tobacco trade in the Region can be summarized as follows:

- Industry estimates of illicit cigarette trade in Egypt are low.⁸
- According to Pakistan customs, the illegal tobacco trade, mostly illicit manufacturing, represented 17% of cigarette sales in Pakistan in 2005.⁹
- According to Tunisian customs authorities, illicit cigarette trade is estimated at 10% of legal sales in Tunisia.¹⁰
- Industry estimates put the size of the black market at about 10%–12% in Jordan, mainly from cross-border smuggling.¹¹
- Tobacco trade specialists estimated the illicit cigarette market in Morocco at 22% in 2006.¹¹

Smuggling is a serious problem in Islamic Republic of Iran, Iraq, Lebanon and the Syrian Arab Republic. After the Gulf War in 1991, shortfalls in Iraqi cigarette production were made up by illegal imports. In 2000 something like 10.9 billion sticks are reported to have been imported illegally.¹² Trade sources indicate that the size of the illegal market in those four countries still remains important. The illicit cigarette market varied between 10% and 35% in recent years and has been influenced by the conflicts in the regions, trade sanctions and border controls.¹¹ The tobacco trade journal *Tobacco Journal International* estimates that over a quarter of total cigarette consumption in the Islamic Republic of Iran is illicit.¹³

Industry complicity in smuggling

Industry complicity in large-scale organized smuggling has been well documented in the Region. A 2003 report by the WHO Regional Office indicated that:

In the Middle East, the two main target markets for international tobacco companies are the Islamic Republic of Iran and Iraq. Both the Islamic Republic of Iran and Iraq represent huge possibilities for international cigarette companies. Indeed, tobacco trade journals, internal tobacco industry documents and documents filed in legal actions make the importance placed on both countries by the entire tobacco industry very clear.¹⁴

Recent court documents in the United Kingdom described very worrying practices of transnational tobacco companies, such as the dumping of deteriorated cigarettes on the illicit market in Iraq in the beginning of the decade.¹²

⁸ Euromonitor International, May 2005.

⁹ Subuctageen A. Illegal tobacco trade in Pakistan. Presentation at the first meeting of the WHO expert committee on the illicit tobacco trade, Geneva, September 2006 (unpublished data).

¹⁰ FCA regional capacity-building workshop in tobacco control in Tunis, Tunisia, 16–18 June 2008.

¹¹ World cigarettes. *The 2007 Survey*. Suffolk, ERC Group, 2007.

¹² The High Court of Justice, Queen's Bench Division, Commercial Court. Gallaher International Limited and Tlais Enterprises Limited, Case No: 2005 Folio 185, Approved Judgement, 18 April 2008, paragraph 538.

¹³ Milenkovic Z. A Persian market of contradictions. *Tobacco Journal International*, 2007:90–1.

¹⁴ *The cigarette "transit" road to the Islamic Republic of Iran and Iraq. Illicit tobacco trade in the Middle East*. Cairo, WHO Regional Office for the Eastern Mediterranean, 2003. Available at <http://www.emro.who.int/TFI/TFIraniraq.pdf>.

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(Cigarette) goods coded J or before were not suitable for sale in the Iranian market due to 'some deterioration' of the product but were suitable for sale in non core markets.

And that,

...non-core market meant a market, which was not of strategic importance to Gallaher, including Iraq as well as certain African countries (excluding Nigeria).¹²

Internal tobacco industry documents describe in great detail the monitoring of smuggling operations and the illegal character of the transit (smuggling) trade in Lebanon and the Syrian Arab Republic. Nakkash and Lee provided recently a historic overview of the activities of Transnational Tobacco Companies in Lebanon and the Middle East and both authors concluded:

Evidence of the complicity of TTCs in cigarette smuggling extends to Lebanon and the Middle East where this trade has especially benefited from weak governance and chronic political instability.¹⁵

Way forward

Experience in European countries over the last 10 years has shown that large-scale cigarette smuggling can be tackled and suggests that the key to tackling cigarette smuggling is to cut off supply to the illicit market.¹⁶ Controlling the supply chain should be one of the key interventions to curb international illicit trade in tobacco.

An Intergovernmental Negotiating Body (INB) was established by the Conference of Parties to the WHO Framework Convention on Tobacco Control (FCTC) during its second session held in September 2007.¹⁷

¹⁵ Nakkash R, Kelley L. Smuggling as the "key to a combined market": British American Tobacco in Lebanon. *Tobacco Control*, 2008, 17:324-31. Available at <http://tobaccocontrol.bmj.com/cgi/reprint/17/5/324>.

¹⁶ Joossens L, Raw M. Progress in combating cigarette smuggling: controlling the supply chain. *Tobacco Control*. Published Online 10 September 2008; doi:10.1136/tc.2008.026567 Available at <http://tobaccocontrol.bmj.com/cgi/rapidpdf/tc.2008.026567v1>.

¹⁷ Decision FCTC/COP2 (12) of the Conference of Parties to FCTC is available at http://apps.who.int/gb/fctc/PDF/cop2/FCTC_COP2_DIV9-en.pdf.

The Chairperson of the INB produced a draft text for a protocol on illicit trade in tobacco products for consideration by the INB at its third session (Document FCTC/COP/INB-IT/33/).¹⁸

The Chairperson's text was welcomed by nongovernmental organizations, such as the Framework Convention Alliance, which considers that the Chairperson's text contains most of the key elements of an effective protocol to combat illicit trade in tobacco products.¹⁹

The text of the protocol was agreed upon during the third and fourth sessions of the INB (INB 3 and INB 4) held in Geneva during July 2009 and March 2010. The text as it stood by the end of INB 4 will be presented to the fourth session of Conference of Parties to the WHO FCTC in November 2010.²⁰

Enforceable international, regional and national measures to curb illicit trade should facilitate investigations into smuggling operations and make the industry liable for controlling the supply chain. They should introduce measures including, inter alia: licensing all participants in the tobacco business; tracking and tracing systems from the points of manufacture to all points of sale, which would help identify the point of diversion from the legal to the illicit market; traceable methods of payment; strict scrutiny procedures in the selection of contractors during the supply process, ensuring for example that they are all genuine companies with real addresses, employees, and do not have any criminal record; and imposing serious financial penalties for infringements. The global scope and multifaceted nature of the illicit tobacco trade requires a coordinated international response backed by a robust international treaty, strong political commitment and effective enforcement of legislation.

¹⁸ The Chairperson's text is available at http://www.who.int/gb/fctc/PDF/it2/FCTC_COP_INB_IT2_3-en.pdf.

¹⁹ Framework Convention Alliance. Comments on the Chairperson's text for a protocol on illicit trade in tobacco products (FCTC/COP/INB-IT/2/3). Geneva, Framework Convention Alliance, October 2008. Available at <http://www.fctc.org/dmdocuments/INB-2%20Policy%20Briefing%20FCA%20comments%20on%20Chairpersons%20text.pdf>.

²⁰ The final English version of text is available at http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_5-en.pdf. Arabic version at http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_5-ar.pdf.



Further enquiries:
Tobacco Free Initiative, WHO Regional Office for the Eastern Mediterranean
Tel: +202 2276 55 62/272, Fax: +202 2276 54 15
Email: TFI@emro.who.int, web site: www.emro.who.int/tfi/tfi.htm