

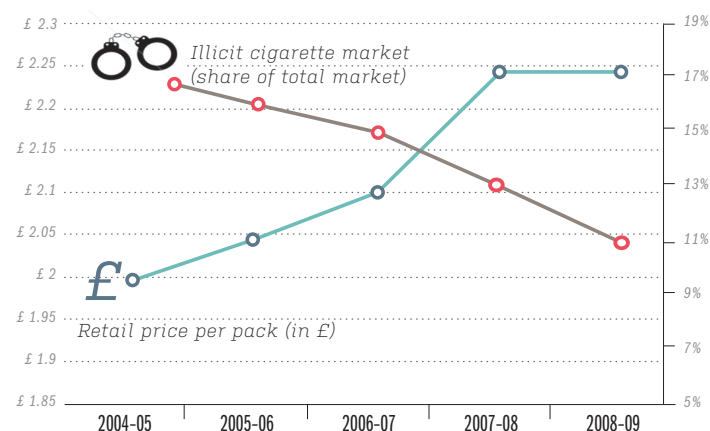
“Smuggling of cigarettes gives opportunities for organized crime networks to survive and may increase the general level of corruption in a country.”

WHO, Western Pacific Regional Office, 2000



Cigarette Prices and Illicit Cigarette Trade in the UK

Contrary to tobacco industry claims, the increase in retail price has not led to any corresponding increase in illicit trade.



If illicit trade were eliminated, governments worldwide would gain at least \$31.3 billion a year in tax revenue, and from 2030 onward, more than 164,000 premature deaths would be avoided annually due to higher average cigarette prices.

The share of the illicit cigarette trade in the global cigarette market (estimated at 9–11%) has remained relatively stable since 2000, even though some countries have managed to reduce the penetration of illicit cigarettes within their markets (e.g., UK). On average, this percentage is significantly higher in low- and middle-income countries than in high-income countries.

Illicit trade in tobacco products has serious health, economic, and social implications. Circumventing tobacco taxes undermines tax and price policies, which are among the most effective mechanisms to control tobacco use, as well as other tobacco control measures, such as youth access laws or mandatory health-warning labels. Tobacco smuggling can also lead to higher levels of corruption. Illicit cigarette trade is highly profitable for the transnational tobacco companies, allowing

them to circumvent tobacco taxation. In Canada, the industry was found guilty of organizing illicit trade and paid billions of dollars in penalties.

The illicit tobacco trade is addressed by Article 15 of the WHO Framework Convention on Tobacco Control (WHO FCTC). Parties to the Convention are negotiating a protocol that builds upon the original treaty and aims to strengthen international cooperation in fighting the illicit tobacco trade. Despite the irreconcilable conflicts of interest between the tobacco industry and the public health community, the industry is seeking to enter WHO FCTC illicit trade protocol negotiations and national-level illicit trade control activities. In many parts of the world, the tobacco industry works closely with governments to combat illicit trade. This collaboration involves many risks and conflicts with Article 5.3 of the WHO FCTC.

THE TOBACCO INDUSTRY HAS CONSISTENTLY ARGUED THAT TOBACCO TAX INCREASES CREATE MORE ILLICIT TRADE. HOWEVER, NO RESEARCH EVIDENCE SUPPORTS THIS CLAIM. On the contrary, evidence shows that factors other than tax and price are more important determinants of illicit tobacco trade, and that illicit trade is generally lesser where cigarette prices are higher. Policies that can decrease illicit trade include licensing all participants in the tobacco business, introducing enhanced tax stamps and higher trafficking penalties, and tracking tobacco product packages.

