



STOPPING TOBACCO
ORGANIZATIONS & PRODUCTS

Policy Brief Summary

Global

Keeping Tobacco (Companies) Off the Black Market

In September 2018, an international treaty to stop the sale of black market cigarettes came into force. Now backed by 58 countries, the WHO Protocol to Eliminate Illicit Trade in Tobacco Products is a major step forward. Illegal cigarette sales rob national coffers of tax income and thwart public health campaigns aimed at reducing smoking—especially among children.

Now it is time to give this protocol teeth. National governments have until 2023 to build systems that ensure no cigarettes slip out of the supply chain and onto the black market. These “track and trace systems” may look different in different countries, but they all share a common threat: the tobacco industry.

The tobacco industry cannot be trusted to be part of the solution, because it is very much part of the problem.

Tobacco companies' history of complicity in smuggling

The tobacco industry has a [documented history](#) of smuggling. Researchers have estimated that a third of cigarette exports ended up on the black market in the late 1990s. Overwhelming evidence implicated all four major tobacco companies—British American Tobacco, Philip Morris International, Japan Tobacco International and Imperial—suggesting that they were not just complicit, but that smuggling was part of their business strategy. Between 1998 and 2008, the industry faced a [series of legal inquiries](#) and court cases related to its involvement.

Big Tobacco continues to engage in the illicit cigarette trade

Twenty years later, the tobacco industry claims to have changed. It even casts itself as the victim in the smuggling story, emphasizing counterfeit cigarettes as the key problem. Yet the [data consistently shows](#) that the tobacco industry's own cigarettes account for the majority—**approximately two-thirds**—of the black market. Ukraine, for example, is a market where major tobacco companies [have been accused](#) of intentionally making too many cigarettes, based on an assumption that the extras will be sold illegally in neighboring countries.

Contrary to the industry's claims, evidence consistently shows that the tobacco companies benefit from the illicit cigarette trade. When cigarettes are smuggled, the industry pays less taxes, making tobacco products cheaper to the consumer. Cheaper cigarettes are also more appealing to children.

To maximize profits, the industry attempts to hijack the cigarette smuggling agenda

Many governments are trying to control the supply chain with systems that allow them to track and trace cigarettes to ensure that taxes are paid. Using increasingly underhanded methods, the tobacco industry is trying to influence these efforts, working across multiple fronts: 1) promoting their own track-and-trace technology; 2) skewing the data to present themselves as victims rather than perpetrators of smuggling; and 3) whitewashing their past and current role in the illicit cigarette trade.

Promoting their own track-and-trace system: The major tobacco companies collaborated to create and promote their own system, which was first known as Codentify. They then sought [to disguise the system's links to Big Tobacco](#) by renaming it Inexto Suite and using third parties to promote it. The system has been [widely criticized](#) as inefficient and ineffective, yet the industry continues to push it. If tobacco companies achieve a position of power, they can root out smaller competitors and protect their own stake in the black market.

Using misleading data to present themselves as the victims of tobacco smuggling: The number of counterfeit cigarettes and "cheap whites"—those produced by small manufacturers and sold illegally—[comprise a small portion of the illicit market](#). But since the industry controls most of the data on tobacco smuggling, through its own surveys and reports, it can generate misleading press coverage that hides its majority share in the black market.

Whitewashing their ties to illicit trade by employing third parties. Often, tobacco companies pay more credible [third parties](#) to spread their message. They also invest considerable resources into high-profile conferences, as well as anti-corruption organizations that are meant to police them. In 2012, for example, Philip Morris International [donated](#) 15 million euros to Interpol. These strategies aid their efforts to hide their involvement in illicit trade and gain policy influence.

The benefits of tracking and tracing

Track-and-trace systems allow authorities to determine where a product has been and where it came from across the supply chain. The technology is not new or complicated, and examples of effective systems exist in other industries, including the food and pharmaceutical sectors. The components required include: 1) a unique identification number, such as a bar code or serial number; 2) a combination of security features, such as those seen on bank notes; 3) the capacity to scan supply chain events to attach movement to the unique ID; and 4) the ability for law enforcement to authenticate that all taxes have been paid.

The tobacco industry has a vested interest in avoiding effective track-and-trace systems, but the benefits to governments are vast. Not only will an effective system [raise tax revenue](#) lost on smuggled goods, but it will help detect and target risk, identify weak points in the system, and protect against fraud. Tracking and tracing also complements public health campaigns to discourage smoking—especially among children. By ensuring that taxes are paid, cigarettes cost more.

The tobacco industry is more interested in maximizing its profits than reducing illicit trade. Major tobacco companies continue to invest money, cultivate third-party relationships and wage public relations campaigns to influence national efforts to control illicit trade.

But governments can, and must, push back. They can enforce tax stamps that impose control over the supply chain, reclaim control over data, and sideline cigarette companies. In the end, this will not only boost tax revenues, but it will support public health efforts to lower consumption and help block Big Tobacco's goal of getting a new generation hooked on tobacco.

To find out more, read the [STOP briefing on tracking and tracing](#).