STOP. STOPPING TOBACCO ORGANIZATIONS & PRODUCTS

Issue Brief

Global

# Eight Key Flaws of Oxford Economics' Report on Illicit Tobacco Trade

October 2020

**STOP researchers carefully reviewed the Oxford Economics report, Levant Illicit Tobacco 2019, and highlight eight key flaws.**

This brief was prepared by Erin Sandberg at Vital Strategies and Allen Gallagher and Raouf Alebshehy from the Tobacco Control Research Group at the University of Bath.

**Background:** In March 2020, global forecasting company Oxford Economics released a report titled Levant Illicit Tobacco 2019. Commissioned by tobacco companies British American Tobacco, Japan Tobacco International and Philip Morris SA (a subsidiary of Philip Morris International), it examines the illicit cigarette market in Egypt, Jordan and Lebanon.

As with past Oxford Economics reports, there are significant and concerning flaws that policy makers, civil servants and customs officials should note.

1. **The report is funded by the tobacco industry.** The report's funders are all transnational tobacco companies. Industry-funded research has been widely criticized for its unreliability and exaggeration of the scale of the black market. Tobacco companies regularly cite industry-funded reports about illicit trade (without disclosing the link) to oppose public health policy, and have an incentive to misrepresent the size of the black market. Oxford Economics also has existing tobacco industry ties, including a working relationship with PMI dating back to 2017 when PMI announced that Oxford Economics would receive funding from its PMI IMPACT initiative.
2. **The report is a business document, not peer-reviewed academic research.** As per the report's disclaimer, the report was prepared "in accordance with specific terms of reference agreed between

Philip Morris Products SA, JT International SA, British American Tobacco ME DMCC, and OE." These terms of reference are not disclosed, and may have influenced how the report portrays the tobacco industry and its involvement in the black market.

3. **Previous Oxford Economics reports have been criticized extensively.** Oxford Economics has produced several reports on illicit trade in Asia, which have been critiqued by academics and non-governmental organizations alike. In a newly published critique by the Southeast Asia Tobacco Control Alliance of Oxford Economics' "Asia Illicit Tobacco Indicator 2017" report, Professor Hana Ross of the University of Cape Town writes, "The common denominator to all pieces of this study is PMI and its TORs [terms of reference] with all of the multiple parties in the report's chain of production. This is a way for PMI to control the final results—by controlling the input, the data analysis, as well as publication, distribution, and promotion."

4. **The choice of featured markets is questionable.** No justification is given in the report for the choice of countries featured. Egypt, Jordan and Lebanon all experienced tax increases in recent years, however, which suggests the three countries could have been chosen to help illustrate the industry narrative that increased taxes lead to increased illicit trade. Further, other countries in the Levant region were left out of the report. As such, the report's findings cannot be considered representative of the Levant region despite the report's title.

5. **The main data input was susceptible to industry interference.** To estimate levels of illicit trade, the report relies on empty pack surveys, where discarded cigarette packs are collected and are then tested by tobacco companies to identify if the product is from their own supply chain. Allowing tobacco companies to determine this opens the data up to manipulation, as tobacco companies have a vested interest in underreporting their own product on the black market. The report fails to disclose the known limitations of such surveys and any attempts to address them, and does not provide sufficient detail for surveys to be replicated by independent researchers to validate the findings.

6. **The report acknowledges that its estimations of duty-paid cigarettes that left the featured countries is underrepresented, leading to skewed figures.** Per a footnote on page 7, the authors indicate that only exports from the three featured countries to those same three countries are included. This is problematic, as leaving out products that were legally exported from the three countries to other countries not featured in the report ultimately lowers the estimated total legal consumption of the three featured countries. This, in turn, makes the percentage of illicit cigarettes in the three countries larger than if all legal exports from those countries were captured.

7. **The report's policy recommendations come from a group with tobacco industry ties.** The NGO Transnational Alliance to Combat Illicit Trade (TRACIT), which contributed to the report's policy recommendations, previously listed BAT, JTI and PMI as members on its website, with its current website still citing PMI as a member. None of TRACIT's partnerships with tobacco companies were mentioned in the report.

8. **The recommendation to "rationalize tax policy" supports existing tobacco industry arguments.** The report attempts to create a link between the increase in cigarette taxes and purported growth in illicit trade. This is a common refrain from the tobacco industry and supports its efforts to lower cigarette taxes. Evidence indicates that this depiction of the relationship between tax and illicit trade is over-simplified as countries with low cigarette taxes and prices often have larger illicit cigarette markets than countries with higher taxes and prices.

**The numerous flaws in this report highlight the urgent need for independent research on the illicit tobacco trade.** With no comparable, independent alternatives, Oxford Economics reports are one of the only major sources of data on illicit trade across Asia, and now, the Levant region. Industry-funded reports, including this report as well as the PMI-funded Project Stella series, are susceptible to bias and may skew findings and recommendations to protect the tobacco industry from the consequences of its facilitation of the black market. More independent data is needed to provide accurate insight into the illicit tobacco trade and to verify findings in industry-funded reports.

### Tobacco Tactics

Our rigorously-sourced profiles of the key players, organisations, allies and techniques of the tobacco industry make Tobacco Tactics a vital resource.
**Learn more at www.exposetobacco.org/tobaccotactics**

### STOP's Rapid Engaged Action Team (REACT)

REACT provides tobacco industry monitoring, research, expertise in industry arguments and strategic communication, customized to the local context.
**Learn more at www.exposetobacco.org/react**

STOP. STOPPING TOBACCO ORGANIZATIONS & PRODUCTS


### Acknowledgements and Authorship

Stopping Tobacco Organizations and Products (STOP) is a global tobacco industry watchdog whose mission is to expose the tobacco industry strategies and tactics that undermine public health. STOP is funded by Bloomberg Philanthropies (www.bloomberg.org) and is a partnership between The Global Center for Good Governance in Tobacco Control, The Tobacco Control Research Group at the University of Bath, International Union Against Tuberculosis and Lung Disease and Vital Strategies. This brief was prepared for STOP by The Tobacco Control Research Group at the University of Bath.


GGTC Global Center for Good Governance in Tobacco Control

The Union International Union Against Tuberculosis and Lung Disease Health solutions for the poor

Vital Strategies

UNIVERSITY OF BATH