



STOPPING TOBACCO  
ORGANIZATIONS & PRODUCTS

Issue Brief

# Deep Flaws Found in PMI-Funded Cigarette Smuggling Report

**Project Stella overlooks the most pressing issue: the industry's complicity in illicit tobacco trade.**

## Background

Project Stella is a series of reports issued by the global accountancy firm KPMG, commissioned by Philip Morris International (PMI). The [first report](#), published in June 2019, covered the issue of cigarette smuggling as a whole in the EU. The most recent report, "[Project Stella: Illicit cigarette manufacturing in the EU](#)," was published in November 2019 and focuses solely on the production of illicit cigarettes. PMI [cites this report as evidence](#) in its messaging about the culprits and makeup of illicit tobacco trade.

KPMG began producing reports on illicit tobacco trade for PMI in 2011 [following an anti-illicit trade agreement between PMI and the EU](#), which resolved legal action the EU had taken against PMI for involvement in illicit tobacco trade.

**Fundamental flaw: The report overlooks the most pressing issue, the industry's complicity in illicit tobacco trade.**

- Global seizure data indicates the majority of cigarettes on the illicit market (up to [two-thirds](#)) appear to be tobacco industry product, and there is [growing evidence](#) that the industry continues to facilitate illicit trade.
- The first Project Stella report showed the presence of transnational tobacco company product in the illicit market, but instead of labeling it as such, the report used the term “other contraband and counterfeit” to represent these figures.
- The first report defines this as predominately contraband (tobacco industry product), with very little counterfeit. The use of this term appears to be an attempt to obscure and distance the tobacco industry from its own involvement.
- The second report doesn't even define “contraband and counterfeit,” and instead focuses on the origins of illicit whites (cigarettes from smaller tobacco companies that are often legally produced, but then smuggled across borders and sold illegally). This is an area that is less of an issue and where less blame falls on PMI.

**Other flaws:**

- **The report is funded by PMI.** This work is the result of a private contract between PMI and KPMG, and as such, it is a business document, not a work of transparent research. The report was not published in a peer-reviewed publication so has not undergone academic scrutiny. Industry-funded data on illicit tobacco trade is notoriously unreliable and has been [repeatedly criticized](#) by academics and NGOs.
- **The report's disclaimer removes liability from KPMG.** The disclaimer informs readers that those who rely on the report do so at their own risk and KPMG takes no responsibility. This instills a low sense of credibility and confidence in the report.
- **The report frames organized crime groups as a main culprit of illicit tobacco trade.** This is an attempt to distract from the tobacco industry as a major (and bigger) player in illicit trade.
- **Important data is not available for scrutiny.** For example, factory raid data, which is used to support KPMG's conclusions, is provided to tobacco manufacturers by law enforcement and is not publicly available.
- **The “expert interviewees” are, in some cases, the only citation for a conclusion.** For example, industry expert interviews are cited as the only source to support [the claim](#), “...although raid volumes are still relatively small, there is an increasing trend of illicit manufacture in Western Europe.”

**Independent research on illicit tobacco trade is needed**

Research suggests the tobacco industry is a key contributor to the black market. Yet, the industry uses its position as a key funder and prominent data source to hide this. More independent data is needed in order to provide accurate insight into the true makeup of illicit tobacco trade in the EU and beyond.

[Read more](#) about the tobacco industry's role in illicit trade and the motivations behind this.