Medical Xpress

How do you sell death? The tangled world of illicit tobacco

June 3 2015, by Stephanie Mcclellan

Tobacco companies make more profit every year than Coca Cola, McDonald's, Starbucks, Google, and Disney combined – a staggering £30 billion.

That vast amount of money is difficult to comprehend, and even more so if you think about how those profits are made: divide those billions by

the 6 million tobacco-linked deaths worldwide each year, and it turns out that the tobacco industry makes about £6,000 from each death.

So how do they get away with it, and still make billions?

Clearly, it helps if you use whatever means necessary to keep people addicted to your deadly product.

So to mark this year's World No Tobacco Day, let's delve into the tangled history of the illicit tobacco trade, where corporate words fail to match corporate actions – and public health loses out.

World No Tobacco Day

This year's World No Tobacco Day sets out to focus the public's mind on this illicit trade, which has been fuelled by both criminal networks and by tobacco companies' own leaky supply-chains. Consequently, 'illicit' tobacco products are both genuine cigarettes smuggled across borders to avoid tax, and counterfeit products.

Each year, sales of these products cost more than €10 billion in lost tax and customs revenue across Europe.

And given that Governments continue to use tax to reduce smoking rates, illicit trade undermines public health by making smoking cheaper and more accessible to children and vulnerable communities.

So what do the tobacco companies have to say for themselves on the matter?

An argument made of air

During the campaign for standard packs, one of the tobacco industry's key arguments was that plain packs would make counterfeit and smuggled tobacco easier to come by. As we said at the time, this argument is deeply flawed, for two reasons:

Firstly, because of the clear evidence that these companies themselves play a role in illegal trade.

Secondly, as we'll see below, because of the very nature of international tobacco smuggling.

In fact, there is no reliable evidence that the introduction of standardised packs – due in the UK in 2016 – will increase smuggling. When the UK's HM Revenue & Customs (HMRC) looked in depth at the issue, they found "no evidence to suggest the introduction of standardised packaging will have a significant impact on the overall size of the illicit market or prompt a step-change in the activity of organised crime groups".

But as well as using tobacco smuggling and illicit trade as a red herring to try to interfere with measures like standard packs, it grates to hear tobacco companies say that legal cigarettes represent a 'safer' option.

Let's be clear: there is no such thing as a safe cigarette – legally manufactured or illicit – with 'legitimate' cigarettes containing around 70 cancer causing chemicals.

Smuggling is an age-old problem

A history of mischief

So let's look at the smuggling trade – and how the industry has been found out.

Each year some 400 billion cigarettes are illegally smuggled across international borders, making it the most widely smuggled legal product.

In 2001, the European Commission, along with 10 EU Member States filed legal action against three of the largest tobacco companies, Philip Morris International (PMI), R.J. Reynolds Tobacco Co and Japan Tobacco International (JTI), for:

'…an ongoing global scheme to smuggle cigarettes, launder the proceeds of narcotics trafficking, obstruct government oversight of the tobacco industry, fix prices, bribe foreign public officials, and conduct illegal trade with terrorist groups and state sponsors of terrorism'. (Emphasis ours)

PMI and JTI settled their cases in 2004 and 2007 respectively. But in August 2014, the courts upheld a decision which will allow the EU to

pursue a case against R.J. Reynolds relating to the company's alleged involvement in a criminal money-laundering and cigarette smuggling scheme.

And there's more. In the UK in June 2013, the National Audit Office reported that HMRC had also kept a watch on manufacturers' 'oversupply', i.e. producing or importing far too much tobacco in one area, making smuggling to another much easier (we blogged about it at the time).

In some instances, the HMRC estimated that the total supply of some brands of rolling tobacco to some countries exceeded demand by 240 per cent in 2011.

Since this report, HMRC hit British American Tobacco with a £650,000 fine in November 2014 for oversupplying cigarettes to Belgium which has lower tobacco taxes than the UK.

Fox guarding the hen house

The agreements following the European Commission's legal action included obligations on several companies to make large payments.

PMI alone agreed to pay £674 million over 12 years – but it was also ordered to control the future smuggling of its cigarettes through a range of measures.

Frustratingly, however, it was left to the company itself to put these measures into practice. Given its track record, it's hard to believe that it was put in charge of monitoring its own illicit trade.

Andy Rowell, research fellow at the Tobacco Control Research Group at the University of Bath, is not convinced at all. "The tobacco companies

have a history of complicity in smuggling. But we know that leopards do not change their spots," he told us.

"The companies are spending millions trying to con people that they are the victims of smuggling rather than the villains," he says.

The 12 year agreement is now coming to an end – but the European Commission is now discussing its 'renewal' with Phillip Morris.

This is incredibly worrying. There's a fundamental conflict here, considering that the international community recognises the threat the industry poses to public health policy.

Now 180 parties have signed up to an international treaty to help reduce smoking rates and deal with the tobacco industry. Within this treaty – the Framework Convention on Tobacco Control (the FCTC treaty) – there's a specific section worth noting. Known as Article 5.3, it's designed to keep these companies at arm's length when it comes to decisions about people's well being.

Article 5.3 states that governments should engage with tobacco companies:

'only when and to the extent strictly necessary to enable them to effectively regulate the tobacco industry and tobacco products'.

But is it really 'strictly necessary' for the EU to engage with PMI over illicit trade? And when it does, what does it say? Over the last 10 years there has been a worrying lack of transparency.

What needs to be done

We already have the blueprint for tackling illicit trade. The World

Health Organisation's Protocol to Eliminate Trade in Illicit Tobacco Products (ITP) outlines the introduction of a tracking and tracing system for tobacco products. But the protocol is useless without action – all 180 parties to the FCTC treaty should sign and ratify this protocol.

And we need to make sure the 'track and trace' system is one that will work, NOT one run by industry itself – something Rowell says is their preferred end-game, "which would be very much letting the foxes take over the hen house."

It's vital that this system – and all future initiatives to tackle the illicit trade – are completely independent of tobacco industry involvement, and that we learn from the past.

Tobacco products – which have no safe level of use – kill the population equivalent to Scotland every year. The industry's involvement in the illicit trade demonstrates why we must raise the drawbridge, and not give them the key.

Provided by Cancer Research UK

Citation: How do you sell death? The tangled world of illicit tobacco (2015, June 3) retrieved 3 May 2024 from https://medicalxpress.com/news/2015-06-death-tangled-world-illicit-tobacco.html