Why you shouldn’t trust the tobacco industry on illicit

Anna Gilmore, Andy Rowell
Tobacco Control Research Group, Uni of Bath

Acknowledgements
• Co-authors: Andy Rowell, Allen Gallaher
• Funders: Cancer Research UK [grant number C27260/A20488]

No financial conflict of interest
The opinions expressed are those of the authors’ alone. The funders had no role in study design, data collection, analysis, decision to publish, or preparation of the manuscript.
Because…

• Still using the threat of illicit to prevent tobacco control policies (illicit as argument)
• Yet evidence suggests they are still involved or at best failing to control their supply chain (illicit as tactic)
• Simultaneously attempting to control all aspects of policy on illicit including the Illicit Trade Protocol (illicit as a policy area)
Why? To avoid regulation & taxation & maximise profits
Illicit as an argument: the industry’s favourite argument against every tobacco control policy.
Illicit as a tactic: Tobacco Companies and Smuggling

• Overwhelming evidence of tobacco industry’s historical involvement in illicit trade on a global basis

• Illicit trade was a core part of TTC business
Growing evidence that still involved, comes from....
a) investigative journalists

Reports piled up from Japan Tobacco International (JTI) investigators around the globe. Mobsters were doing business with the firm’s Russian distributorship while shipping tons of illegal cigarettes into Europe. Workers felt endangered. Accused smugglers and criminals ran some of its Middle East partnerships.

And when investigators received information that 13 JTI employees or distributors may have been working directly with smugglers, a senior executive at JTI blocked an investigation, according to company e-mails and internal memos.

JTI had some problems.

The company’s investigative team – experienced hands culled from the CIA, British police, U.S. Special Forces and elsewhere – chronicled and fought those problems for years. They went undercover, shut down smuggling routes and worked with European police to intercept shipments worth millions of Euro. The deeper they dug, the more evidence they say they uncovered against JTI’s employees and its distributors.
Growing evidence that still involved
b) government reports, investigations &/or fines

UK

BAT fined for oversupplying tobacco in low-tax European jurisdictions

£650,000 penalty from HMRC reflects growing concern that surplus is finding its way back to the UK illicitly

South Africa

According to a recent study, some markets have been oversupplied with hand-rolling tobacco by 240%.

Photograph: Graham Turner for the Guardian
Growing evidence that still involved
c) Leaked documents

From: XXXX  Sent: 24.01.2012
18:04
Subject: RKS

Two more things to mention on XXX's stock infiltration into our markets. We have recently collected Rothmans KS from Iraq market, that was manufactured in Kenya on June 2010 & destined to XXX as first customer ....

Do you think he's involved, or simply that the market is so unregulated?
EU illicit cigarette market (estimate, billions of sticks)

Growing evidence that still involved: d) data

Tobacco industry illicit from 89% to 58% of the total

2016: 58 per cent of EU illicit market was manufactured by the TI

Source: Gilmore analysis based on KPMG Project Sun & Star reports.
WCO latest data: % of cigarettes seized by type

Source: Gilmore graphs based on WCO reports.
Influence on illicit tobacco policy

Used resources to control every aspect of the debate:

- Produce a skewed evidence base (emphasise illicit white & counterfeit, exaggerate scale)
- Widely disseminate that evidence base & use to control media coverage & public messaging, gain access to & mislead authorities
- Establish front groups & spokespeople giving impression of widespread independent support
- Fund inputs (dogs etc) and key organisations (INTERPOL, government agencies etc)
- Produce and promote its own T&T system
Redefining illicit industry as victim of & solution to illicit trade

Industry as pariah supplier of illicit

then

now

• Louis Camilleri, May 2011, PMI’s AGM: the “illicit trade is a growing threat to legitimate business. The threat comes from different sources, the most important of which are counterfeit, and …‘illicit whites’”

No. of press articles citing industry data on illicit (UK)

UK Consultation on SP (16 Apr - 10 Aug 2012)

Tobacco Control Plan for England
Endless front groups on illicit

One issue – Two angles

Gary Grant – Official spokesperson
Retired police officer and current director and
collector of Toronto Crime Stoppers

Jacqueline Bradley – Executive Director of the NCACT
Concerned mother of two, married to a police officer

The credible voice for contraband tobacco
Front groups to promote Codentify

Progress & Strategy

1. Industry joint working starts to defend against tax stamps
2. Industry Working Group set up
3. Digital Coding & Tracking Association established
4. Proposed DCTA strategy has been developed

- Strategy has worked, but threats are growing
  - FCTC / AIT Protocol
  - National governments
  - 3rd party suppliers

- Proactively shape T&T regulation
- Invest in proactive engagement – ‘showcase’ implementations

Engagement activity: 40+ markets.
Realised and potential costs avoided: £29.3m/year

Moving from voluntary (EUCA) to mandatory compliance (FCTC)
Working With & Funding Regulatory Authorities, IGOs etc

Includes Recent funding (directly or via front groups) to:

- Interpol
- International Anti Corruption Academy (OLAF & UN Office on Drugs and Crime)
- WCO Conference (via DCTA)
- International Chamber of Commerce (Business Action to Stop Counterfeiting and Piracy)
- PMI Impact

BAT on Interpol deal: “it will reinforce the credibility of the DCTA (and BAT) when talking to Governments as a credible provider of technology on DTC and T&T”
Conclusion: You cannot trust the TI on illicit

- Overwhelming historical evidence of TI involvement in illicit trade on a global basis;
- There is still evidence that TI is facilitating illicit trade;
- Despite this the TI still uses illicit as a key argument to prevent every TC policy particularly tax increases;
- Is trying to say it is part of the solution to illicit trade not the problem;
- Is working in partnership & funding national and international regulatory authorities;
- Produces data on illicit that cannot be trusted;
• Is trying to control the Track and Trace solution to the problem
  – Could give TI potential to carry on with impunity
  – Beware: Codify, DCTA, FractureCode, ATOS, Impala Group (Inexto, Arjo Solutions), Coalition Against illicit Trade, FATA Logistics, Domino, Essentra
Thank you

If you’d like to know more . . .

Tobacco Tactics Wiki
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Twitter @BathTR
www.twitter.com/BathTR

a.gilmore@bath.ac.uk