

Facts and figures on the illicit tobacco trade

Fact sheet I

Cigarettes are a particularly attractive product to smugglers. Because tax is a high proportion of price, evading tax by diverting tobacco products onto the illicit market (where sales are largely tax-free) creates a considerable profit margin for smugglers. The availability of inexpensive cigarettes increases consumption and therefore increases the risk of more tobacco-related deaths in the future.

Besides being a major health problem, illicit tobacco trade is also a law enforcement issue and is mostly carried out by organized transnational criminal groups, including terrorist organizations.¹

According to available estimates, the size of the illicit trade varies between countries from 1% to about 40–50% of the market. The total lost revenue is about US\$40.5 billion a year. Illicit tobacco trade is more prominent in low-income and middle-income countries than in high-income countries.²

Eliminating or reducing this illicit trade would reduce consumption by increasing price, reducing premature deaths and increasing tax revenue for governments. If this illicit trade were eliminated, governments would gain at least US\$31.3 billion a year, and from 2030 onwards more than 164 000 premature deaths a year would be avoided, the vast majority in middle-income and low-income countries.²

Cigarettes are by far the most frequent illicit tobacco products, but in some regions, such as the Eastern Mediterranean and South-East Asian regions, the illicit trade of smokeless and water pipe tobacco is also important.

In category of other tobacco products, the World Customs Organization noticed a significant increase in the seized quantity of chewing tobacco in 2013, which in 2012 amounted to 8 tonnes compared to 38 tonnes reported in 2013. The seized quantity of water pipe tobacco increased from 69 tonnes in 2012 to 75 tonnes in 2013.³

Transparent and public data on the illicit tobacco trade are lacking in most countries of the Eastern Mediterranean Region and are not available in the reporting instruments of the WHO FCTC for the countries of the Region. Exceptions are Pakistan and the Islamic Republic of Iran. Although, no official surveys are available in Pakistan, it is estimated that almost 17% of the total domestic market of cigarettes is illicit and includes smuggled, counterfeit and non-duty paid locally manufactured products. (Source: Federal Board of Revenue, 2012) In the Islamic Republic of Iran, the illicit market has been estimated at 20%. A study by researchers at the country's Tobacco Control and Prevention Research Center found that 21% of all cigarettes on the market in Tehran in 2009 were illicit.⁴

Research in 16 countries indicate that on average, heavy and long-term smokers are more likely to engage in tax avoidance/ evasion while smokers who intend to quit are less likely.⁵

In some countries, young smokers are the main target for smugglers. Young people in Teheran, for instance, were more likely than older people to smoke smuggled cigarettes



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(30 years or less: 24.5%; 31–55 years: 19.3%; over 55 years: 15.3% $P=0.023$).⁴

According to Euromonitor, the share of illicit in total cigarette consumption in Tunisia increased from 12% in 2008 to 28% in 2013, peaked at 24% in Egypt

in 2012 and was more than 20% in the United Arab Emirates in 2013.⁶ It is likely that political unrest, conflicts and reduced border security have facilitated illicit tobacco trade in parts of the Region.

- ¹ Willson K. Terrorism and tobacco. Washington DC, International Consortium of Investigative Journalists, 2009 (<http://www.icij.org/project/tobacco-underground/terrorism-and-tobacco>, accessed 3 April 2015).
- ² Joossens L, Merriman D, Ross H, Raw M. The impact of eliminating the global illicit cigarette trade on health revenue. *Addiction*. 2010;105:1640–95.
- ³ Illicit trade report 2013. Brussels: World Customs Organization; 2014.
- ⁴ Heydari G, Tafti SF, Telischi F, Joossens L, Hosseini M, Masjedi M et al. Prevalence of smuggled and foreign cigarette use in Tehran, 2009. *Tob Control*. 2010;19:380–2.
- ⁵ Guidon GE, Driezen P, Chaloupka F, Fong G. Cigarette tax avoidance and evasion: findings from the International Tobacco Control Policy Evaluation Project. *Tob Control*. doi:10.1136/tobaccocontrol-2013-051074
- ⁶ Illicit trade in tobacco products 2013. London: Euromonitor International; September 2014.

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