

The tobacco industry's role

Fact sheet 2

Evidence of the direct and indirect involvement of the tobacco industry in cigarette smuggling is well documented, on the basis of internal documents,¹ its own admission² and court judgements.³

According to research on internal documents, evidence of the complicity of the tobacco industry in cigarette smuggling extends to Lebanon and the Middle East, where the illicit tobacco trade has benefited from weak governance and chronic political instability.⁴

In 2000 the deputy chairman of British American Tobacco (BAT) admitted: "Where any government is unwilling to act or their efforts are unsuccessful, we act, completely within the law, on the basis that our brands will be available alongside those of our competitors in the smuggled as well as the legitimate market."

In July 2008 and April 2010 three tobacco companies in Canada pleaded guilty and admitted "aiding persons to sell or be in possession of tobacco products manufactured in Canada that were not packaged and were not stamped in conformity with the Excise Act" "while Northern Brands International Inc., a company related to RJ Reynolds, pleaded guilty to a conspiracy offence under the Criminal Code."⁵

Since 2004, the four major international tobacco companies have paid billions of dollars in fines and payments to settle cigarette smuggling litigation in Europe and Canada. (European Union: Philip Morris International and Japan Tobacco

International (JTI) = US\$ 1.4 billion,⁶ Canada: Imperial Tobacco Canada Ltd., Rothmans, Benson & Hedges and JTI Macdonald = US\$ 1.7 billion).

An ongoing lawsuit in the European Union accuses RJ Reynolds of running a global money laundering scheme with organized crime groups that involved the smuggling of drugs and cigarettes.⁷

In 2014, BAT was fined £650,000 (US\$ 1 million) by British tax authorities for oversupplying its products to Belgium.⁸

In 2012, a major tobacco company, JTI, was accused of smuggling activities in the Middle East and under official investigation of the European Anti-Fraud Office, OLAF.⁹

According to the investigative journalists of the Organized Crime and Corruption Reporting Project, internal JTI records showed the following.

- "Smuggling incidents were reported almost monthly during 2009-10, but former employees said no action was taken in the company's most profitable areas. Investigators suspected tens of millions of JTI cigarettes were being diverted to smuggling operations in the Philippines, Afghanistan, Jordan, Iraq and elsewhere, often with the help of JTI's own distributors.
- When investigators received information that 13 JTI employees or distributors may have been working directly with smugglers, a senior JTI vice president blocked an investigation,



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according to company e-mails and internal memos.

- JTI contractors paid officials in Iraq, Kurdistan and Iran to get information

on smuggling routes, according to company internal reports and interviews with contractors.”¹⁰

- ¹ Collin J, LeGresley E, MacKenzie R, Lawrence S, Lee K. Complicity in contraband: British American Tobacco and cigarette smuggling in Asia. *Tob Control*. 2004;13 (Supplement II):ii96-ii111. LeGresley E, Lee K, Muggli M, Patel P, Collin J, Hurt R. British American Tobacco and the “insidious impact of illicit trade” in cigarettes across Africa. *Tob Control*. 2008;doi:10.1136/tc.2008.025999; Nakkash R, Lee K. Smuggling as the “key to a combined market”: British American Tobacco in Lebanon. *Tob Control*. 2008;17:324–31. The cigarette “transit” road to the Islamic Republic of Iran and Iraq. *Illicit tobacco trade in the Middle East*. Cairo:WHO Regional Office for the Eastern Mediterranean; 2003.
- ² Clarke K. Dilemma of a cigarette exporter. *The Guardian*, 3 February 2000.
- ³ Federal and provincial governments reach landmark settlement with tobacco companies. Press release. Québec: Canada Revenue Agency, July 31 2008. (<http://www.cra-arc.gc.ca/nwsrm/rlss/2008/m07/nr080731-eng.html>).
- ⁴ Nakkash R, Kelley L. Smuggling as the “key to a combined market”: British American Tobacco in Lebanon. *Tob Control*, 2008, 17:324–31.
- ⁵ Federal, provincial, and territorial governments conclude landmark settlements with tobacco companies. Press Release. Québec: Canada Revenue Agency; 13 April 2010.
- ⁶ See http://ec.europa.eu/anti_fraud/investigations/eu-revenue/cigarette_smuggling_en.htm
- ⁷ U.S court revives EU money laundering case vs RJ Reynolds. New York: Reuters; 23 April 2014.
- ⁸ Doward J. BAT fined for oversupplying tobacco in low-tax European jurisdictions. *The Observer*; 16 November 2014. (<http://hereisthecity.com/en-gb/2014/11/16/bat-fined-for-oversupplying-tobacco-in-low-tax-european-jurisdic/page/1/>, accessed 15 Dec 2014).
- ⁹ Solomon J. EU probes cigarette deal that may have aided Syria. *The Wall Street Journal*, 21 August 2012. (<http://online.wsj.com/article/SB10000872396390444233104577595221203321922.html>, accessed 5 April 2015).
- ¹⁰ Japan Tobacco distributors tied to rampant cigarette smuggling. Organized Crime and Corruption Reporting Project, 3 November 2011. (<https://reportingproject.net/occrp/index.php/en/press-box/1219-japan-tobacco-distributors-tied-to-rampant-cigarette-smuggling>, accessed 5 April 2015).

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