

# SMUGGLING THE TOBACCO INDUSTRY AND PLAIN PACKS

A report by Luk Joossens



Some examples of existing packs

## Executive Summary

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## Introduction

HM Revenue and Customs say that nine percent of cigarettes smoked in this country have not had UK taxes paid on them - but this figure has been constantly falling and is now less than half the peak of 21 percent in 2000/01.

The illicit trade is not, as one might imagine, about low-level criminals on a cross-Channel ferry with a van full of cheap cigarettes. Instead, it involves highly organised networks working across the world. Some of the cigarettes that have avoided paying duty are genuine products made by the tobacco companies, as bought in shops. But most are either 'illicit whites', foreign brands made to be smuggled, or counterfeit copies of UK cigarette brands, analogous to a fake watch.

For those focussed on health, the progress of the last decade needs to be maintained. Illicit cigarettes are approximately half the price of duty-paid cigarettes and so undermine smokers' motivation to quit.

The tobacco industry claims that plain packaging of cigarettes will increase the illicit trade. To better understand this issue, Cancer Research UK commissioned this report by Luk Joossens. An international expert on the illicit tobacco trade, he has advised the World Bank, the European Commission and the World Health Organisation. The key points of his report are that:

-  Counterfeit cigarette producers find all existing packs easy to forge.
-  Counterfeit packs are so cheap to make they cannot become cheaper and significantly affect the final retail price.
-  Effective government action has been successful in cutting the illicit trade.

## Plain packs and smuggling

The tobacco industry claims that plain packs are easier to copy and will lead to an increase in the level of tobacco smuggling. However, this has no good justification.

## Branded cigarette packs are no obstacle to counterfeiters

The evidence, even acknowledged in recent tobacco industry documents, is that counterfeit producers find all existing packs easy to forge. The overall cost of manufacturing a 20-pack of counterfeit cigarettes is around 10 to 15 pence – of which up to a third is estimated to be on packaging. They are typically sold in the UK for around £3. Counterfeit cigarette packaging is already so cheap to make there is no way that cheaper packaging could have a significant effect on either their retail price or profitability.



Packs are easy to forge. Covert markings, not glossy designs, are used to identify illicit cigarettes.

A counterfeit pack costs about 15p to make.



The packaging costs no more than 5p

## The record of the tobacco industry and illicit tobacco

The illicit cigarette market is now dominated by 'illicit whites' and counterfeit cigarettes. Counterfeit cigarettes mimic genuine brands and are generally made in China. 'Illicit whites' are generally produced legally outside the EU but are made to be smuggled. They do not even try to copy legitimate brands. Therefore, the tobacco industry's claims about plain packs and smuggling are irrelevant to a large part of the current market for illicit tobacco. The tobacco companies are not credible commentators on this issue. They have facilitated smuggling by selling cigarettes with UK brands to countries with no market for them. These cigarettes were then smuggled back to the UK.

Effective government action in the UK and EU in the last decade means the tobacco industry in the EU is properly regulated and different agencies such as Trading Standards, the Police, the UK Borders Agency and HM Revenue and Customs have worked together. HM Revenue and Customs' central estimates for non-duty paid cigarettes show that between 2000/01 and 2010/11, the market share of illicit cigarettes had more than halved to nine percent.

The credibility of the tobacco industry's case on plain packs is also eroded by their track record on claiming that cigarette taxation is the main cause of cigarette smuggling. Tobacco smuggling shot up in the late 1990s in the UK and has been brought under control during a period of consistently rising taxes. Around the world, lower tax countries have, on average, higher smuggling rates.

Effective government enforcement is the key way to keep down smuggling rates.



**Above:** A packet of Jin Ling cigarettes, a prominent brand of 'illicit whites', next to a packet of Camel cigarettes. (Photo credit: Luk Joossens)



**Above:** Two packs of Benson & Hedges cigarettes – the red dot denotes the fake (Photo credit: North of England Tackling Illicit Tobacco for Better Health)

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## About the author

Luk Joossens works for the Association of European Cancer Leagues and the Belgian Foundation against Cancer.

He is an international expert on the illicit tobacco trade who has advised the World Bank, the European Commission, the World Health Organisation and the Bloomberg Initiative to Reduce Tobacco Use.

In 1991, he received the WHO Commemorative Award in Budapest and in July 2006, he received the Luther Terry Award for Outstanding Individual Leadership in Tobacco Control in Washington, DC.

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The full report can be  
downloaded from:  
[www.cruk.org/tobacco](http://www.cruk.org/tobacco)

## About Cancer Research UK



Cancer Research UK is the world's leading charity dedicated to saving lives through research.



We spent £332m on research in 2010/11.



We receive no government funding for our research.