

Rising incidence of illicit trade in tobacco

By Nkemdili Nwadike | 02 December 2018



There has been an explosion in global and cross border trade for some decades now. With this burst also comes the menace of illicit trade, otherwise known as the underground economy.

As markets open and demand grows, people try to engage in illegitimate trade by producing, importing, exporting, purchasing or selling items without complying with relevant legislations.

Illicit trade is a massive problem for manufacturers, governments, regulators and multilateral agencies and indeed any legitimate operator in the industry value chain.

It extremely undermines government's objectives on taxes and revenues, places burdens on government's regulatory and enforcement agencies and undercuts the potential benefits of international trade.

It is a source of worry for government because illicit trade merchants sabotage government and the economy by evading taxes and other statutory obligations.

The huge infrastructure gap and challenging business climate in the country often makes it difficult for locally manufactured goods to compete favourably against imported goods.

This problem is further exacerbated by the influx of contrabands into the nation's market.

Illicit trade deprives legitimate companies and manufacturers of the financial and moral incentive to contribute meaningfully to the formal economy, a situation that ultimately results in job losses and collapse of business. This is another reason for it to be tackled urgently.

One of the most smuggled commodities in the world is tobacco. The World Health Organisation estimates that 1 in every 10 cigarettes and tobacco products consumed globally is illicit.

Revenue losses from the trade are believed to be between US\$40 to \$50 billion.

The commodity's small size and lightweight makes it very portable to ferry as well as attractive and profitable to illicit traders.

Perhaps, one of the greatest risk factors of illicit trade in tobacco is its affiliation to organized crime.

Illicit trade has a strong appeal for transnational criminal networks and international terrorist organizations who use proceeds from illicit deals to fund their activities.

The networks can be business webs operating across multiple channels. The operators are often engaged in more than one type of illicit trade to fund their businesses.

Also, rebel groups and militias operating along international borders acquire arms with profits generated from illicit trade. Illicit cigarettes are often transported along similar routes with other products that are usually traded illegally.

The identifiable categories of tobacco sales in the global market are contraband and counterfeit cigarettes.

Contrabands are authentic cigarettes purchased in a low-tax country at quantities higher than import limits but later resold illegally in markets with higher prices, while counterfeit cigarettes are fake cigarettes that are manufactured illegally and fraudulently branded to look like products from the original cigarette brand owner.

Closely related to contrabands is a category known as cheap whites, in which tax and customs duties are evaded before being smuggled into another country for sale.

Illicit cigarettes pose a serious threat to the health and wellbeing of consumers as a lot of smuggled fake cigarettes contain ingredients far in excess of approved levels, which make them harmful to the unsuspecting consumers.

The smugglers can offer lower prices because they have evaded taxes, thereby making the harmful products affordable to consumers.

In spite of huge successes recorded few decades ago, illicit trade in tobacco is still a growing concern for governments, global health agencies and even the tobacco industry all over the world.

It is quite cheering to note that global, multilateral response has been unleashed on the crime in recent years.

However, more needs to be done as the perpetrators keep evolving new ways to beat checks.

Dealing with the global illicit trade requires a well-organised and coordinated international response in much the same way as other transnational crimes as well as country-specific strategies as the extent of the problem varies from one country to another.

There is, however, a high level of prevalence in developing countries where the scale of the activities does not often reflect in official statistics.

Combating the menace of illicit trade in tobacco also requires multisectoral and international collaboration and works through the channels of cooperation in the investigation and prosecution of offenders and information gathering.

This fact has also been reiterated by the World Health Organisation Framework Convention on Tobacco Control (WHO FCTC) Protocol to Eliminate Illicit Trade in Tobacco Products (The Protocol).

The Protocol notes that countries differ in their relationship to the illicit tobacco trade and identifies the different forms the crime takes in various countries of the world.

According to it, while “some countries are the source for illicit tobacco products, some play a role in the transit of the illicit products, while others are the destination.”

It notes further that “in several cases, a country may be in more than one of these categories, or change over time from one category to another category.”

Sadly, Nigeria is listed among 25 countries, including seven from Africa– Egypt, Tunisia, Algeria, Libya, Mali, Niger, Guinea – that are main transit and transit-destination countries for illicit trade in tobacco.

Nigeria’s classification among the countries that bridge these two categories is indeed telling of the magnitude of the problem. It is regrettable that Nigeria is not a member of The Protocol, whereas most of the other countries categorized with respect to the various roles played in the illegal trade have signed up in the treaty.

More importantly, it is a call to action for government and the anti-tobacco coalition to scale up advocacy against trade in illicit tobacco.

The realization that West Africa is a choice route for tobacco smugglers has jolted the Economic Community of West African States (ECOWAS) to action.

At a recent meeting in Abuja, the community resolved to put in place machinery to eliminate illicit trade in tobacco in the region.

Remarkably, the Togolese government has demonstrated strong commitment in fighting the crime by implementing a tobacco transit directive and publicly destroying products seized by the various agencies fighting the crime.

This trend is remarkably being replicated by other nations like Benin, Ghana, Niger, Mali and Burkina Faso. It remains to be seen if Nigeria and other West African countries can take a cue from Togo.

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