Plain packaging and illicit trade

LUK JOOSSENS
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A new tobacco industry theory

More tobacco regulation (such as tobacco display bans or plain packaging) will lead to more illicit trade.
Display ban in Iceland since 2001: no effect on illicit trade
Display ban in Canada since 2008: no effect on illicit trade

RCMP Cigarette Seizures - 1994 to 2010

2010: Approximately 782,000 Cartons
Display ban in Canada since 2008: no effect on illicit trade

Canada - 2010 a shift back to legal industry

FROM Q4 2009 TO Q4 2010:
- 5.5 billion sticks flowed back to the legal industry
- ITCAN captured 2.9 billion of the illicit flow back
Display ban in Canada since 2008: no effect on illicit trade
Trends in tobacco packs sold bimonthly across different retail outlets in Ireland (source: AC Nielsen)

Quinn C et al. Tob Control 2011;20:151-155
Plain Packaging and illicit trade

It is very likely that plain packaging may help to combat illicit trade.

In other words, exactly the opposite what the industry pretends.
The causes of the illegal tobacco trade in Europe

- **Demand** by smokers for cheaper tobacco products
- **Supply** by legal and illegal tobacco manufacturers looking for profits or increasing market shares, facilitated by corruption, the presence of criminal networks and weak government enforcement capacity.
The reduced price determines the demand for illicit tobacco

The main reason that smokers buy illicit cigarettes is their reduced price, not the packaging.

In the North of England, 64% of illicit tobacco buyers indicated that illicit tobacco made it possible for them to smoke when they couldn’t afford it otherwise.

(Source: NEMS, North of England Illicit Tobacco Survey, 2009)
Research in Scotland

Qualitative research among young adult smokers in Scotland has shown that plain packaging has no impact on the decision to buy counterfeit cigarettes, which was driven by availability and price.

Various experts have expressed concerns that plain packaging will increase illicit trade by making cigarettes easier and cheaper to counterfeit.
Plain packs will always contain pictorial health warnings.
Every visible item is easy to counterfeit

“The overt security features on stamps are easily and successfully copied by counterfeiters within a matter of weeks - in a quality good enough to fool most consumers.”

Mark Hill, Digital Tax Verification, October 2010 (A report agreed by the 4 major cigarette companies)
Anti-counterfeit technology is needed to recognise counterfeiting
Easier to counterfeit???

1. All visible items on the packs are easy to counterfeit
2. Plain packaging will contain pictorial health warnings
3. Anti-counterfeit technology is needed to recognise counterfeiting
The introduction of plain packaging will stimulate both the demand and supply of illicit cigarettes as it will be easier to counterfeit cigarettes whilst also increasing demand for branded black market cigarettes.
Illicit whites

Brands manufactured legitimately in one market, either taxed for local consumption or untaxed for export, and sold knowingly to traders who transport them to another country where the products are sold illegally without domestic duty paid.

(European commission, 2011)
Most seized cigarette brands in the EU in 2008
Jin Ling
Cigarette Smuggling

Through a network of companies across Russia and Eastern Europe, the Baltic Tobacco Factory manufactures billions of contraband Jin Ling cigarettes now flooding into Western Europe. Untaxed and unregulated, the cigarettes are smuggled by criminal networks into a dozen countries. In 2007, officials seized 258 million Jin Lings across the European Union.
Which pack is illicit?
Conclusion

1) Plain packaging has no impact on the decision to buy counterfeit cigarettes, which is driven by availability and price.

2) Plain cigarette packets will always have large pictorial health warnings and such packs will therefore be as difficult to counterfeit as any other pack.

3) After the introduction of plain packs, enforcement officials will find it easier to recognise the illicit cigarettes.