

Illicit trade in Tobacco - A societal issue



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Laurent Meffre, Managing Director of The West Indian Tobacco Company Limited

Globally, the illicit trade in tobacco products presents a range of economic and social effects that range from adverse impact on public health to tax evasion and the financing of terrorist groups. The World Health Organization (WHO) estimates that one in every ten cigarettes smoked is illicit. [i]

Laurent Meffre, Managing Director of The West Indian Tobacco Company Limited says the illicit trade in tobacco is a societal issue. The consequences range from national security, economic loss from tax evasions, trademark infringements, undermining of brand investments, and detrimental quality issues associated with poor manufacturing conditions, “Our parent company - The British American Tobacco Group has conducted research and we have seen high levels of illicit cigarettes flooding many markets. Smugglers are well coordinated, and illicit trade is linked to more organized criminal gangs and networks associated with human trafficking, terrorism, drugs and arms and even money laundering.”

He noted globally over 465 billion cigarettes a year are sold illegally[ii], and the illicit cigarette trade is now estimated to account for 11.2% of the global tobacco market. For governments this is a huge cost as it cheats governments of around US\$40 billion each year in taxes. He acknowledged that it is a major threat to the business and estimates in 2017 (based on public data from the Ministry of Finance) suggest the Trinidad and Tobago Government suffered revenue loss of approximately TT\$10m. [iii]

Mr. Meffre said this number records excise only and does not necessarily account for other supply chain and operational costs such as VAT, corporation taxes, overheads and the overall cost of doing business. He noted, “Local hotspots exist, and there has been a proliferation of new and emerging non-compliant brands, demonstrating how demand has grown despite the changing routes and sources used by cigarette smugglers.” He believes there is a need to arrest the legal decline before it is too late as we approach the 10% critical mass threshold, and this requires a significant and sustainable dent to get to minimum levels, as neighbouring islands have risen as far as 77%. With the COVID-19 restrictions, he said many ports in the Caribbean remained functioning, as did many legitimate cigarette factories, as well as, players in illicit trade.

He added, “It is commendable that law enforcement agencies are playing a more active role but there needs to be more collaboration and enforcement in order to reduce levels of illicit trade. The Free Zones are major transit points and over 80% of the traffic is trans-shipped and ends as smuggled product in different countries.”

Key measures such as manufacturing serial numbers, enhanced vessel tracking systems, the use of scanners at ports, public education, training, and tougher penalties for violators are some critical components to address the issue. He acknowledged a coordinated approach is needed amongst the main enforcement agencies such as Customs and Excise, Trinidad and Tobago Police Service, the Tobacco Control Unit and the Ministries of Finance and Trade. He is also advocating for stricter border controls as he believes it can disrupt the supply of products entering the country where access points are numerous.

“Our engagement strategy is a robust one which facilitates open dialogue as we believe in having a seat at the table where policies and strategies are being discussed. We have a wealth of experience and benefit from being a part of a global tobacco company. We adhere to stringent governance and controls related to the supply chain process with our Standards of Business Conduct and Anti-Bribery and Corruption policies as well as Know Your Customer which allows for strict agreements of our commercial relationships,” he said. As a manufacturer for the local market, West Indian Tobacco also continues to ensure strict compliance with the Packaging and Labelling requirements of the Tobacco Control Act.

Mr. Meffre reiterated that his organization and the BAT Group remains committed to the cause and will continue to drive awareness of the issue, “The regulators and government have our full support. We continue to work closely with both the public and private sector, and we believe we have reached a stage where the issue has the attention of key authorities and we now await the level of enforcement required to yield results and we remain optimistic.”

President of the Trinidad and Tobago Manufacturers Association (TTMA) Franka Costelloe believes illicit trade robs lawful citizens of opportunity –for employment and market share which allow their legitimate businesses to grow, and anyone selling goods under the counter is taking advantage of the honest taxpayer. Local companies particularly affected include alcohol distribution, tobacco, pharmaceuticals, petrol, wildlife, intellectual property, clothes, makeup and even vehicle parts.

As the illicit trade industry grows, the demand on the state increases while the Government is continuously deprived of legitimate revenue collection. Ms. Costelloe notes products themselves are not tested and pose serious health risks to consumers, “A recent example is the infiltration of counterfeit medical face masks in the country during the COVID-19 pandemic sold to an unsuspecting population not adequately meeting the World Health Organisation standards. As an Association, where hundreds of our member companies are currently affected, we find it judiciously necessary to bring illicit trade to the forefront when we speak about social and economic barriers.”

Ms. Costelloe is cautioning members of the public to check the products before purchase to see if it is legal, and if uncertain do not purchase. The TTMA formed an Illicit Trade Desk in 2018 and is part of the organisation’s thrust to increase awareness and reduce instances of illicit trade activity in Trinidad and Tobago.

“The idea to focus solely on illicit trade was borne from the need to partner with specialists and law enforcement agencies; raise public and institutional awareness; develop strategies on how to deal with illicit trade and develop a method of standardisation on how to address the issue. The TTMA’s Illicit Trade Desk is formed by a wide cross section of local businesses who are extremely concerned about the effects of illicit trade and who want to see meaningful discussions, contributions and results,” said Costelloe.

Following the formation of the TTMA’s Illicit Trade Desk, a series of discussions and strategic meetings were held, and a stakeholders’ group formed. The group consists of importers, exporters, suppliers, and businesses, and is supported by an operational joint taskforce comprising the Trinidad and Tobago Manufacturers’ Association, the Trinidad and Tobago Bureau of Standards, Intellectual Property Office, Crime Stoppers Trinidad and Tobago, Customs and Excise Division and the Trinidad and Tobago Police Service headed by Deputy Commissioner of Police Jayson Forde.

Ms. Costelloe stated, “The dialogue between these enforcement agencies and the private sector has resulted in capacity building sessions for the TTPS and Customs. To date, in excess of 130 Police officers and 15 Customs officers have been trained by key industry personnel in detecting illicit trade, and other training sessions are being planned. Furthermore, expired food that was on sale at the Central Market were seized by Public Health Officers in April 2020, and there are cases being actively pursued.”

1. <https://www.who.int/news-room/fact-sheets/detail/tobacco>
2. <https://www.covectra.com/tobacco-counterfeit-serialization>
3. <https://www.finance.gov.tt/wp-content/uploads/2020/01/Estimates-of-Revenue-2020.pdf>

TTMA’s Illicit Trade Desk was formed in 2018 as part of the organization’s thrust to increase awareness and reduce instances of illicit trade activities in Trinidad and Tobago. The effects of illicit trade are numerous, including a loss of revenue to the Government, the provision of sub-standard goods, and the erosion of legitimate businesses (the latter effect affecting the jobs of many persons). TTMA recognises the adversities associated with illicit trade, and supports initiatives geared towards eradicating these activities in Trinidad and Tobago.