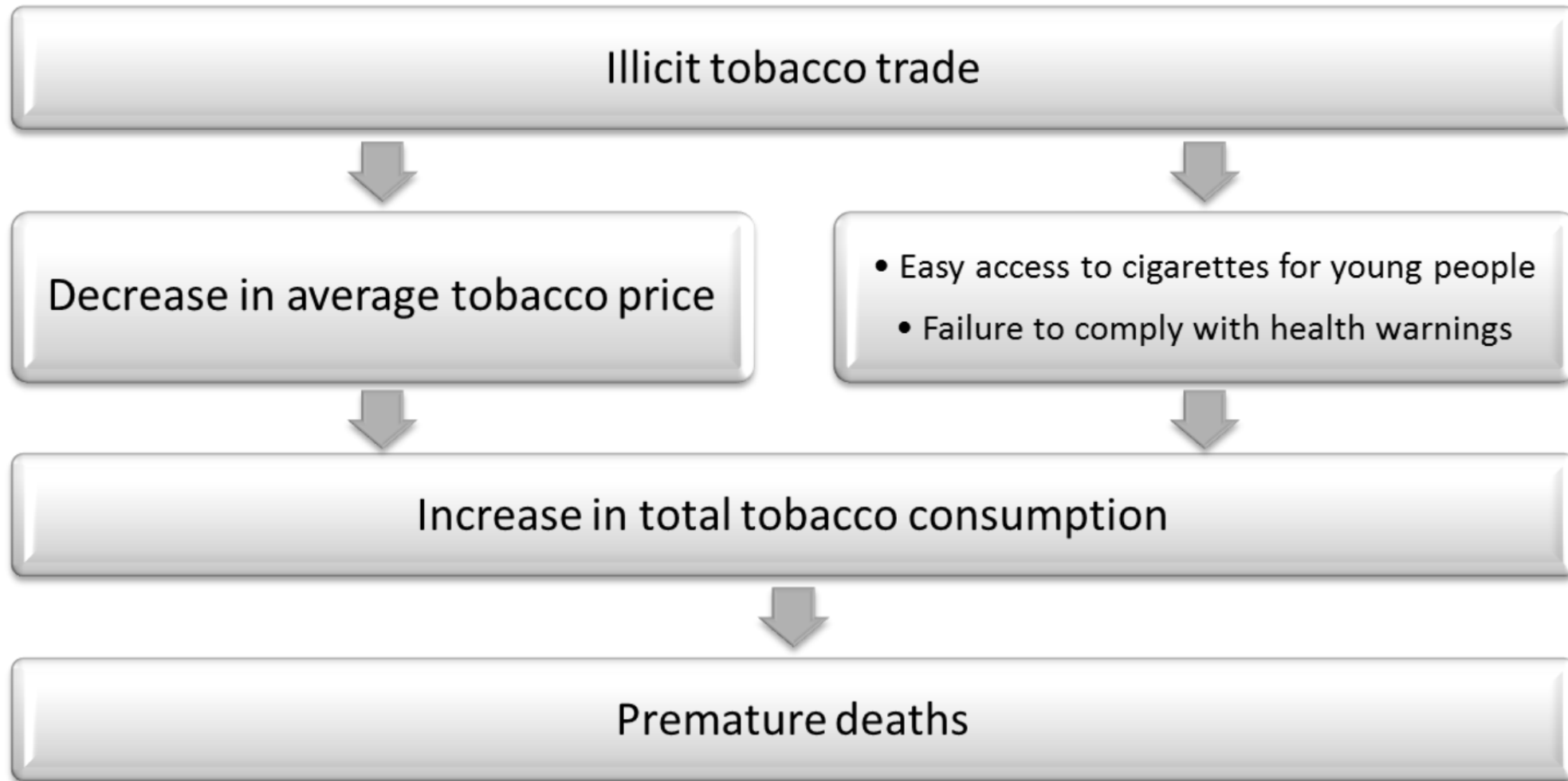


Research on Illicit Trade in Tobacco Products An Overview

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Harms of illicit trade



Harms of illicit trade – part 2

Additionally:

- It undermines tax collection, administrative systems and tax policy.
- Can contribute to higher corruption and crime.



Harms of illicit trade – part 3

The alleged “threat” of illicit trade to government revenues is used successfully by the tobacco industry to undermine tobacco control policies all around the world.



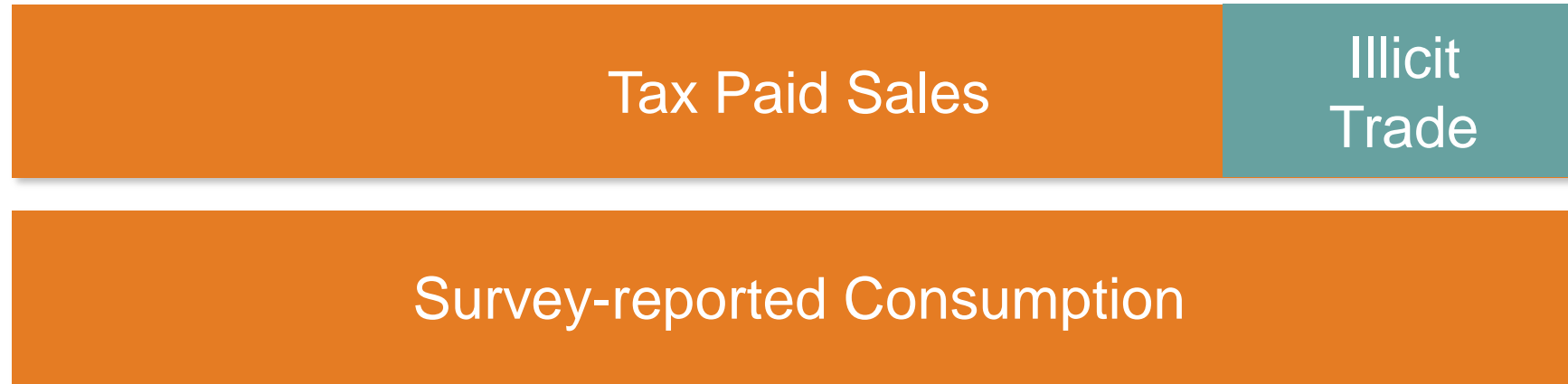
Why do research on illicit trade in your country?

- Identify the accurate level of illicit trade in your country.
 - Helps policymakers to know the real magnitude of the threat or changes in the threat.
- Understand the nature of illicit trade.
 - Helps to identify how to address this potential challenge.



Research methodologies

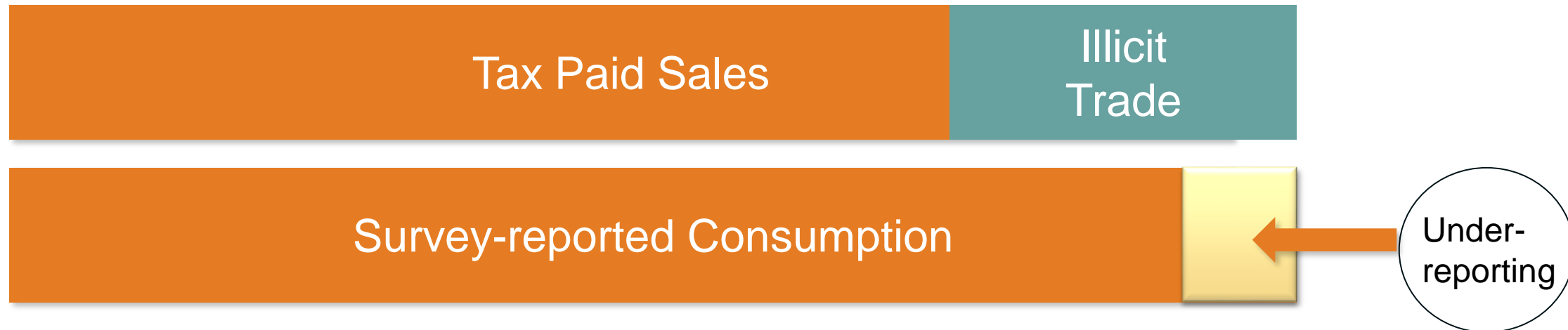
Gap analysis – comparing tobacco sales with consumption



- Survey data provide an estimate of the total consumption in the area covered by the survey, whereas tax paid sales is an estimate of legal consumption.
- The difference between these two measures reflects the extent of overall tax avoidance and evasion.



Gap analysis – comparing tobacco sales with consumption



- Because survey participants typically underreport their consumption, researchers must account for underreporting.



Gap analysis – strengths

- Inexpensive.
- And, therefore, it can be done regularly.



Gap analysis – weaknesses

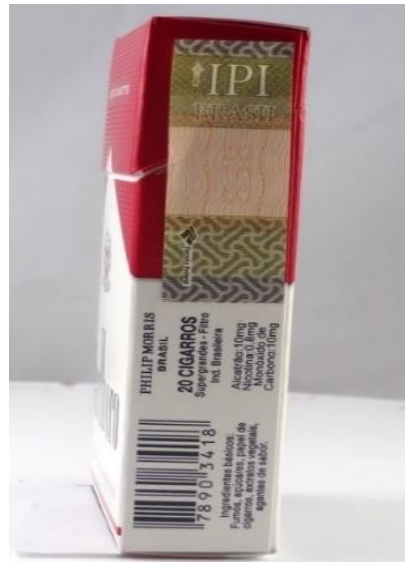
- Requires excellent data for BOTH tax-paid sales and consumption (i.e., strong surveys of tobacco users).
- Therefore, it is only possible in a relatively small number of countries.
- In some countries, it is mostly helpful for tracking trends rather than precisely estimating levels of illicit trade.



Pack examination studies

Use the characteristics on packs to evaluate if cigarettes are licit vs. illicit:

- Tax stamp
- Health warning
- Missing price or content information (if required by law)
- Duty-free markings
- Other features



Pack examination method #1 – Littered pack collection

- Systematic collection of littered packs from streets.



Pack examination method #2 – smokers’ “pack show”

- Survey smokers and ask them to show the pack of their last purchase.
- Ideally, taking pictures of the pack for future reference/inspection.
- It is an opportunity to ask other relevant questions (demographics, smoking behavior, price paid, etc.).
- Recently, we have used existing surveillance systems (e.g., Global Adult Tobacco Survey (GATS), national health surveys, etc.) that collect these data, too.



For both methodologies – one critical element is generating a sample that is representative of the cigarettes smoked.

Choosing a statistically appropriate number of districts for a representative sample selected by key characteristics (e.g., using census data)

- Prevalence (and intensity)
- If prevalence is not available, use suitable proxies, especially income/education, age, and sex



Pack examination -- strengths

- More reliable than self-reported data.
- Possible to capture the origin of illicit packs and the market share of specific illicit brands.
- In smoker survey/pack examination, you can get valuable information about those who smoke illicit cigarettes.



Pack examination -- weaknesses

General

- Hard to capture illicit trade when there is a lack of distinguishable pack characteristics.
- Can be more difficult to capture illicit trade with high proportion of single sticks sales.

Smokers' pack examination

- More costly and longer to conduct.
- Requires ethics approval.

Littered pack collection

- Provides results for limited geographical areas and poor for rural settings.



Supply chain analysis

- Examining inputs for tobacco manufacturing (e.g., tobacco leaf, cigarette paper, filters, etc.).
 - Tracking flows of these goods and linking them up to production (including domestic consumption and exports).
- Particularly helpful for identifying
 - Underreporting of production by legal manufacturers.
 - Sources of illicit trade.



Informal sales

- How do we account for “single stick” sellers?
 - Ask sellers to keep packs for inspection.
 - Visual inspection (i.e., compare purchased single sticks to known legal cigarettes of the same brand).



Examining seizures

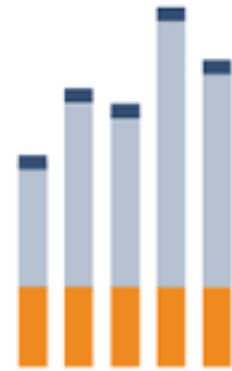
- Not a good way to estimate illicit trade.
 - More goods seized does not always mean more illicit production and/or activity.
- The information from such activities can, however, be very valuable for understanding the nature of the trade such as type of product, origin, transit pathways, etc.



Expert key informants

- This is not a way to estimate illicit trade.
 - When we compare experts' estimates to rigorous ones, they typically overestimate the magnitude.
- Like seizure information, experts' insights can be very valuable for understanding the nature of the trade including the actors who are likely involved.





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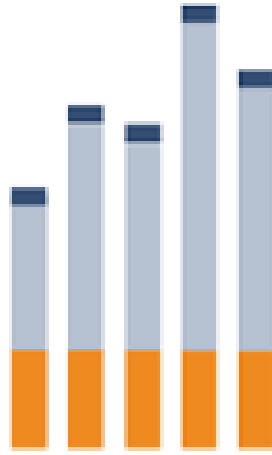
Economic Research Informing
Tobacco Control Policy

Conclusions

Conclusions

- There are well established methodologies for measuring illicit trade and understanding its characteristics.
- They are relatively inexpensive with a large return on investment.
 - They help governments identify the nature of the problem, which helps to inform the remedies.
- Less illicit trade means greater tax revenue and less consumption overall.





Thank you.
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