



intrinsic 

FIGHTING THE DARK UNDERWORLD

A four market supplement

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**“ CRIMINAL ACTORS
INVOLVED IN ECONOMIC
AND FINANCIAL CRIMES
CAPITALISE ON
VULNERABILITIES IN
ECONOMIC AND SOCIAL
SYSTEMS TO GENERATE
BILLIONS IN PROFITS ”**

Catherine de Bolle, Executive Director – Europol

01 INTRODUCTION



BUYING ILLEGAL IS IN DANGER OF BECOMING NORMALISED BEHAVIOUR

Regardless of market, changing attitudes held by consumers towards the illegal tobacco trade is a fundamental issue that needs to be addressed.

For many smokers acquiring illegal tobacco is now merely side-stepping what they consider to be unfair taxation. Increasingly, they are less concerned about the ways in which the product they buy is produced, manufactured, processed, or sold.

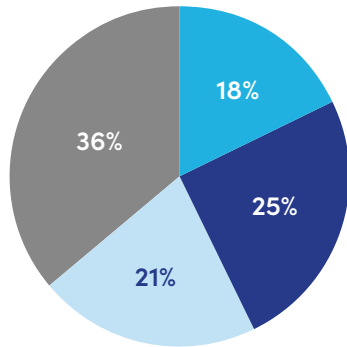
Recent survey data across the markets in this study are illustrative of this; four in ten (43%) smokers surveyed across these four markets now find themselves comfortable with the idea of buying cigarettes, even if they know they're being produced and/or sold illegally.



“ I DON'T MIND BUYING CIGARETTES THAT I KNOW HAVE BEEN PRODUCED OR SOLD ILLEGALLY ”

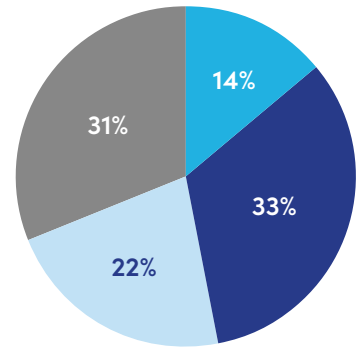
Overall %

- Agree strongly
- Agree slightly
- Disagree slightly
- Disagree strongly



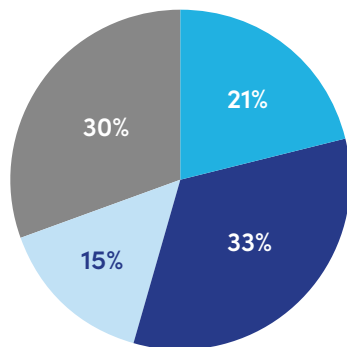
UK %

- Agree strongly
- Agree slightly
- Disagree slightly
- Disagree strongly



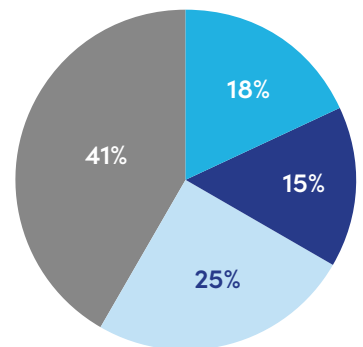
Canada %

- Agree strongly
- Agree slightly
- Disagree slightly
- Disagree strongly



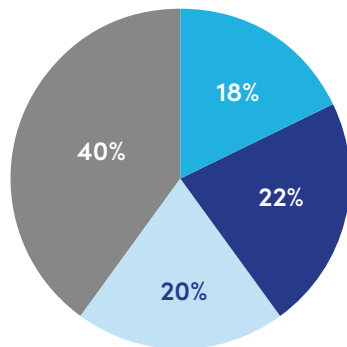
Philippines %

- Agree strongly
- Agree slightly
- Disagree slightly
- Disagree strongly



France %

- Agree strongly
- Agree slightly
- Disagree slightly
- Disagree strongly



The public is also less likely to be questioning when it comes to who they buy from, with 44% of consumers surveyed here happy to buy them from someone even if they don't know from the products' origin or source. Such indifference to tobacco provenance is not uncommon. Nowhere is this better evidenced than in France, where 7 in 10 smokers would – theoretically – be willing to source non-duty payable tobacco.

This merely reaffirms that increasing tax rises on tobacco is likely to push others further towards illegal products and/or vapes, sources of expenditure from which tax revenues will be lost altogether.

TACKLING ILLEGAL TOBACCO MUST BE AFFORDED HIGHER PRIORITY

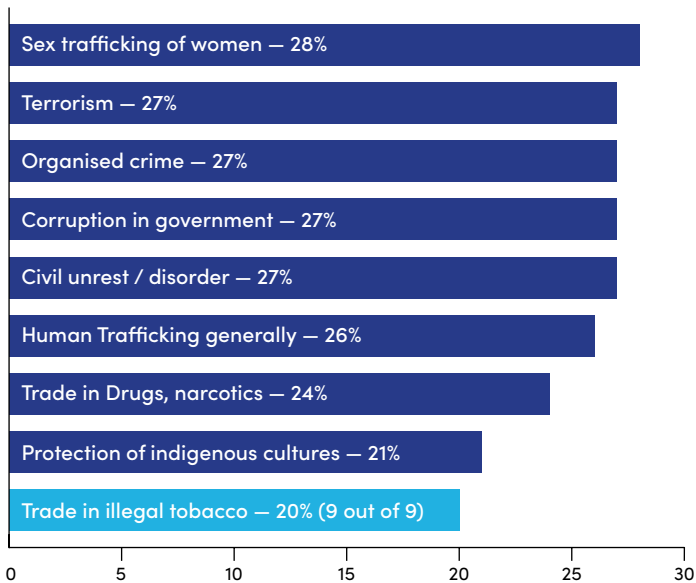
Globally, illegal trade in tobacco is acknowledged to be a problem

It's not viewed as a big enough problem by comparison with other forms of illegal activity that are seen as potentially greater threats to society. However, our research suggests that policy makers may be underestimating the extent to which consumers are willing to turn a blind eye to the spread of illegal trade in tobacco.

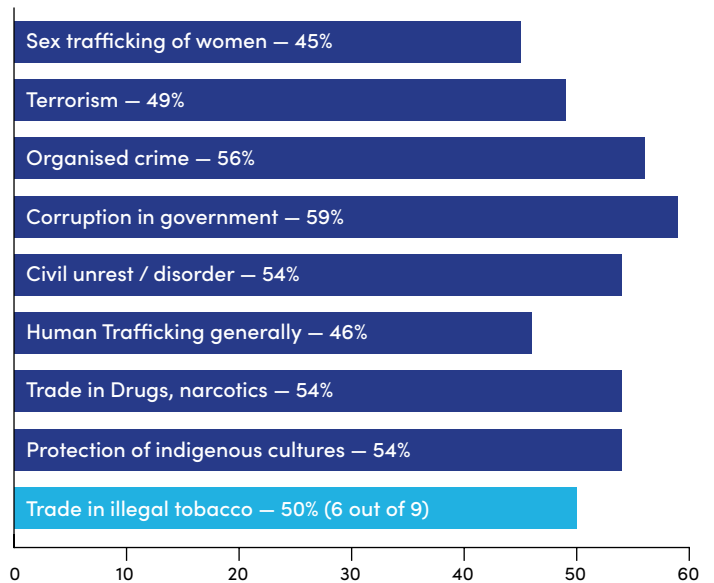
Across four countries surveyed in our study, one in five (20%) consumers feel that the trade in illegal tobacco is a concern to them personally. Yet, this rises to around half (50%) when set in the context of it being a threat to their country. This places it closer to parity with those citing drugs/narcotics (54%) and terrorism (49%) as national dangers.

Which of the following would you say are of greatest concern...

To me personally %



To my country %



Top concerns for my country by market

	UK	CANADA	PHILIPPINES	FRANCE
1 st	Organised Crime	Protection of indigenous cultures	Corruption	Civil unrest / disorder
2 nd	Corruption	Trade in Drugs, narcotics	Protection of indigenous cultures	Corruption
3 rd	Trade in Drugs, narcotics	Organised crime	Organised crime	Terrorism
4 th	Terrorism	Corruption	Illegal trade in tobacco	Trade in Drugs, narcotics
5 th	Civil unrest / disorder	Civil unrest / disorder	Civil unrest / disorder	Illegal trade in tobacco
6 th	Human Trafficking	Illegal trade in tobacco	Trade in Drugs, narcotics	Organised crime
7 th	Illegal trade in tobacco	Human trafficking	Human Trafficking	Protection of indigenous cultures
8 th	Sex Trafficking	Sex Trafficking	Terrorism	Sex Trafficking
9 th	Protection of indigenous cultures	Terrorism	Sex Trafficking	Human Trafficking

Despite these clear levels of public concern, the issue of illegal trade in tobacco is one that Governments are not taking as seriously as their populations might want or expect them to. This is a situation that needs to change.

02 THE GLOBAL CHALLENGE OF THE ILLEGAL TRADE: FOUR MARKET SUMMARIES



CANADA

Dealing with culture and tax challenges



A BRIEF ECONOMIC OVERVIEW

Canada's expansive natural geography and relatively small population of means governance across the country is a highly devolved affair, with particular attention paid to the rights of more than 50 different groups of indigenous people.

Consisting of ten Provinces and three territories –each with its own capital city, law enforcement, and devolved powers – there are all manner of different laws and jurisdictions, including the ability to set individual taxes locally.

Around 5% of the population identify themselves as indigenous, with around 40% choosing to live in their communities on one of the 630 “First Nation” reserves across Canada. These reserves are recognised by the Federal Government, meaning that self-governance is a cornerstone of how Canada is governed.

Economically, it is expected that Canada will avoid recession in 2024, though growth will be sluggish, hovering at between 0.9-1.1%. Strong population growth supported the economy in 2023 and, despite concerns that there was the potential for the economy overheating due to persistently high interest rates and inflation, it appears that the worst fears for the economy over the past 12 months have now been avoided.



INCENTIVIZING ENFORCEMENT BY FOCUSED USE OF THE PROCEEDS OF CRIME SEIZURES

In summary:

Canada is grappling with serious disparities in tax harmonisation created because of both its geography and its complicated relationship with First Nation states. To-date, this has allowed contraband tobacco to spread unchecked across the country to the detriment of revenue receipts. However, the 'ACCES-Tabac' programme implemented in Quebec province is a good example of an innovative approach that allows regional law enforcement to share in the proceeds of criminal seizures and assets. This provides an incentive for agencies to prioritize illegal tobacco crimes and enable them to invest more intensively in manpower, resources, and technology.

The legal tobacco trade in Canada

The legal market for tobacco in Canada's three provinces (British Columbia, Ontario and Newfoundland) has been under consistent pressure for several years with sales falling consistently since 2019. Since 2019, legal sales of tobacco have fallen by 33% in British Columbia, 20% in Ontario and nearly 50% in Newfoundland. Tax revenues from legal tobacco sales in 2023 across the provinces raised approximately \$1.52bn in revenue though this was some way short of the \$1.8bn forecast for the year. Much of this continuing decline in legal sales can be accounted for by the rise in contraband products. Uniquely, First Nations have a historic right – enshrined in law – to be able to sell tobacco free of provincial taxes to First Nation people on their territory, though cost-of-living concerns mean this is widely flouted.



For **57%** of Canadians, the economy and general cost of living is one of their top 5 concerns.

The illegal tobacco trade in Canada

A 2020 report from Canada's Criminal Intelligence Service identified more than 500 criminal enterprises engaged in contraband tobacco, costing the Federal and Provincial Government billions of dollars in lost tax receipts. Illegal tobacco is available for less than a third of the legal product's regular price typically available for C\$20-40 over the internet, instead of the RRP of C\$170. In 2018, Canadian police authorities estimated that 80% of illegal tobacco comes from First Nation reserves. Analysis by EY(Ernst & Young) in 2023 concluded that the illegal contraband trade is a major factor in the loss of tobacco tax revenues accounting for nearly a third (32.1%) of the tobacco market across the provinces and, in some cases such as Newfoundland, this may be closer to 45%.



E-commerce distribution poses a growing threat

The ease with which e-commerce gives access to illegal products means that tobacco legally or illegally produced is now reaching far beyond its intended home market. A particular feature of the criminal approach in Canada has been to build demand by focusing on manufacture and distribution, as well as higher-quality branding, packaging, and marketing. Illegal products have become more 'professional' and this has made illegal tobacco accessible to all of Canada's smokers, regardless of whether they live close to a First Nation reservation or not. The country's proximity to and three-thousand-mile border with one of the world's largest markets – the USA – means that illegal Canadian tobacco products are now routinely found in large numbers in the US, Mexico, and right across Latin America.

Focus for action in Canada: Providing an incentive for authorities to act

There has been some progress towards harmonising taxes with agreements negotiated between a handful of Provinces and First Nation reserves. However, whilst some provinces have agreed to some 'tax's haring it is not always equitable or of benefit to every First Nation community. Other mitigations include tax being added at the point of sale, regardless of who the customer is.

Other territories, such as Quebec, have been able to sharpen their focus on illegal tobacco via their 'ACCES Tabac' program, part of a program of 'Access' tax sharing commodity initiatives that includes alcohol, cannabis and construction., in which income from seizures is re-directed to the local law enforcement agency and their communities. This approach has had positive results, with regional police incentivised to prosecute criminality and, as a result, dedicate more resources to law enforcement.

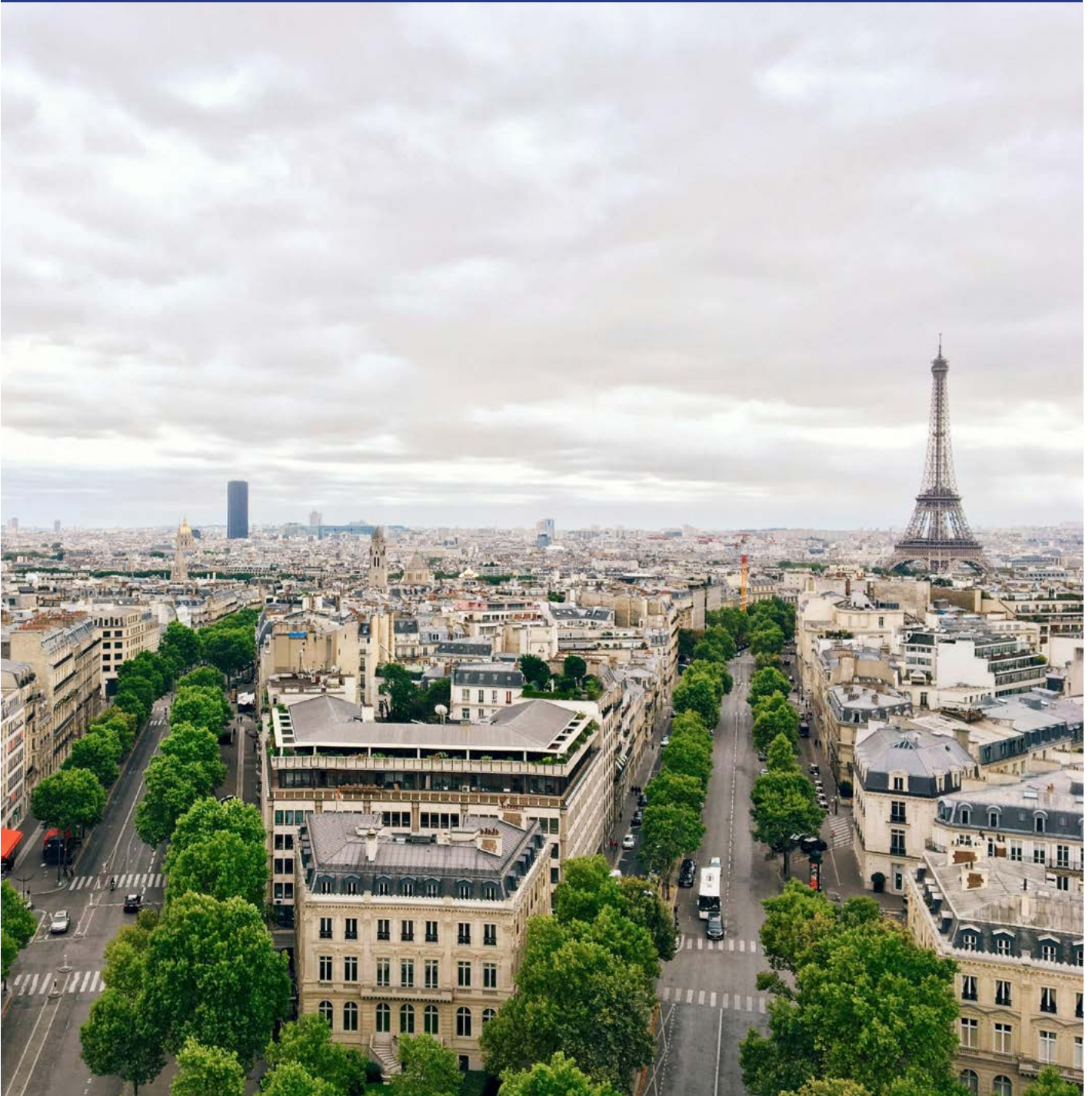
The virtuous cycle of the 'ACCES Tabac' initiative is estimated to cost around \$18 million annually to run yet, between 2015-16, Quebec was able to reduce contraband tobacco in the province by nearly 50% and net more than \$180 million in additional revenues. Although contraband and illegal production continues, products remain more likely to be shipped out of the province rather than serve the local market.



Local health inspectors are now also empowered to make inspections under the Tobacco Tax Legislation. In practice, this means that they can seize illegal tobacco rather than having to call and wait for a Tobacco Tax Inspector. It is a small but important legislative change that's helping to close one of the gaps that criminals routinely exploit.

FRANCE

Focusing on the everyday impact of the illegal trade



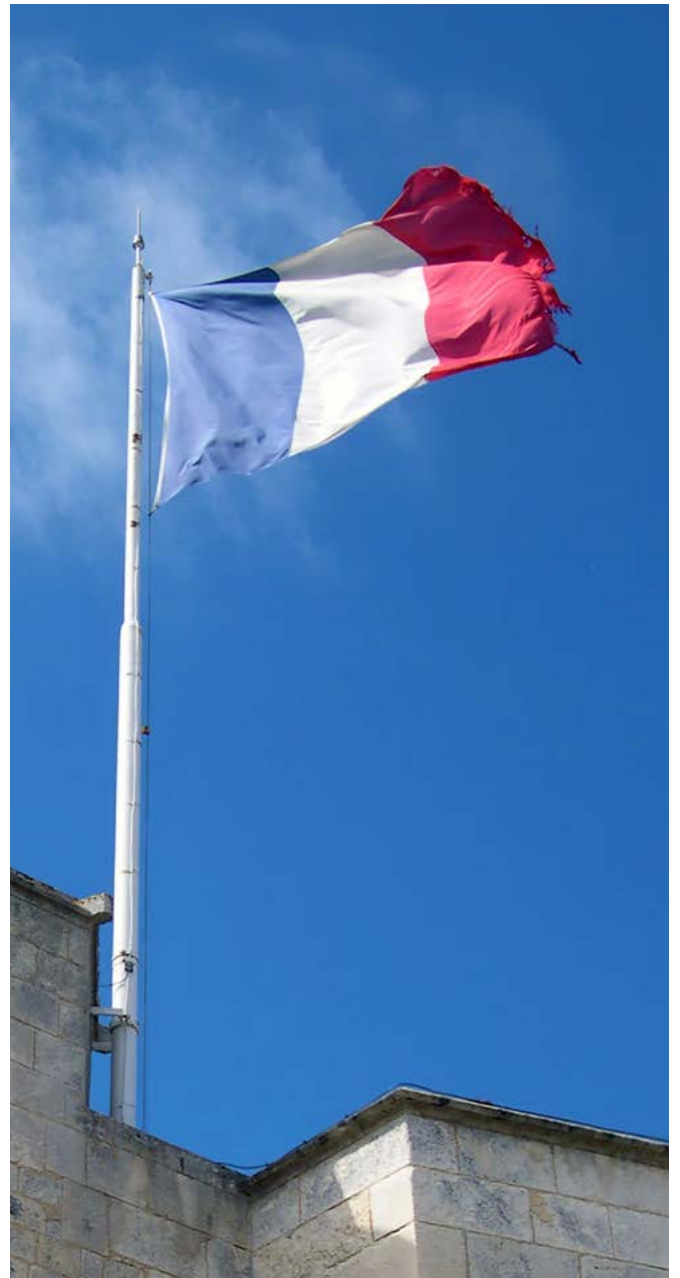
A BRIEF ECONOMIC OVERVIEW

Economically, France has rebounded well from the impact of the pandemic thanks to effective fiscal support and strong public support measures.

It's forecast that economic activity will strengthen in 2024 thanks to robust, global expansion, and rising investment, especially in the energy and defence sectors – and due to the inward global investment of the 2024 Paris Olympic Games. However, the large services sector will remain constrained by high inflation, high interest rates whilst there's potential that large scale public protests may scale back some of the optimism.

President Macron's centrist government has, in recent times, been buffeted by the rise of political demands of the far right and has made concessions to pass controversial laws on migration and pensions. However, it remains a country that's never been afraid to protest noisily and have its voice heard particularly when it comes to smoking and taxes.

A key government focus is preparing for the Olympic Games in 2024. A focus on shutting down illegal street vending has become an important component in restricting illegal sales.



ADOPTING A ZERO-TOLERANCE STANCE ON STREET-SELLING

In summary:

A determined drive by Government to remove illegal tobacco sellers from the streets is a cornerstone policy in the run up to the 2024 Paris Olympics. The French Government's assertive imposition of strong fines, penalties, and arrests of street sellers is supported by the city's residents who increasingly feel their neighbourhoods are made less safe when illegal tobacco sellers ply their trade. This is an important step in demonstrating to criminals that the Government is serious about curbing the growth in illegal tobacco. In the wake of the Olympic Games putting France in the global spotlight, the challenge will be to ensure that policing and enforcement levels remain high.

The legal tobacco trade in France

Smoking in France is among the highest in continental Europe. At around 25% of the population, this has barely changed since 2005. Retail prices, however, have risen dramatically, from €5 in 2003 to €11 in 2023. There are 23,000 tobacconists in France, with a national trade federation that actively demands the Government acts against the illegal trade and constraints on legal tobacco sales. At 84% of the retail price, France's excise duty on cigarettes is almost double that of the EU average. It is this level of price inflation that's pushing people further towards cheaper, illegal tobacco.

74%

of French smokers avoid paying the tax on cigarettes if they can find them cheaper elsewhere.

The illegal tobacco trade in France

With a high incidence of smoking and high tobacco taxes, France has become the epicentre of the illegal trade in Europe. Despite €135 fines for possession of illegal tobacco, the Government's focus on raising the cost of legal tobacco means that many consumers are prepared to buy illegally. It's estimated that as many as a third of all cigarettes smoked in France are illegal, with the country accounting for nearly half of all the counterfeit and contraband tobacco consumed in Europe.

Smuggling of tobacco into France comes principally from Northern Africa and neighbouring markets with lower tobacco taxation. It's increasingly evident that many more illegal factories are springing up across the country, as criminal gangs seek to exploit cheap migrant labour and reduced costs of transportation, and to maximize product value.

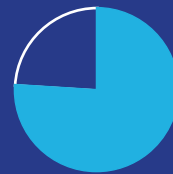
Actions by French authorities in establishing the 'Fraud Assessment Council' to combat all forms of social, fiscal, customs, and public fraud is an important step forward. This has made illegal tobacco a top priority for the Government, alongside VAT fraud, corporate tax fraud, and undeclared income.

French customs authorities have similarly been given more authority, by aligning the penalties for illegal tobacco smuggling and its associated activities with more serious crimes such as drug trafficking. Customs officers are now allowed to use drones to monitor cross-border movements of illegal tobacco – key in stemming the tide of tobacco smuggled from Northern Africa and neighbouring low-tax countries. And prison sentences have increased from one to three years for an individual, and from five to 10 years if committed by an organized group.

Focus for action in France: Aggressively tackling the illegal trade on the streets and in the clandestine factories

Catching the real criminal operators has, until now, been a difficult undertaking. Local street sellers typically carry only small quantities of illegal tobacco at any one time and, within 24 hours of being arrested, will likely be on the streets again. These sellers – who rarely demand and expect little loyalty – are now such a common outlet for distribution that Paris residents commonly describe their capital as "one giant open air illegal tobacconist". But this is becoming a visually unattractive sight that residents and Government now wish to see eradicated, for complementary reasons.

33% of the French public cite local crime as one of their top five concerns.



76% feel that the sale of illegal and fake tobacco by street vendors makes their neighbourhoods less safe.

In the run up to the summer 2024 Paris Olympic Games, the French authorities are taking a strong approach to illegal tobacco at a street level. Identifying, locating, and seizing materials, machines and illegal product is also a key focus of French Government policy. And yet criminal gangs are particularly adept at sidestepping the authorities and plan for potential seizures and raids, treating such setbacks simply as part of the cost of doing business.

However, authorities are showing some success with major shutdowns of illegal factories. In the biggest, In 2023, in the Northern city of Rouen, authorities seized 19 million, illegally-produced, counterfeit-branded cigarettes and 15 tonnes of tobacco with a street value of over €17million. Such intelligence-led seizures will continue to be a crucial part of curtailing the illegal trade in France. But the approaching 2024 Olympic Games are now focusing even more attention on countering the everyday, visual presence of illegal tobacco on the country's streets.

PHILIPPINES

Addressing the cultural challenge of smuggling



A BRIEF ECONOMIC OVERVIEW

Situated just to the North of Malaysia and Indonesia and comprised of more than 7,500 islands, the archipelago of the Philippines is home to over 115 million people.

It's the world's twelfth most populous country but, according to Transparency International – way down the rankings –the 115th most corrupt.

The Philippines is currently experiencing strong resurgence in its economy, driven by a combination of accelerating urbanization and a dynamic, growing middle class, within a vibrant young population. Consequently, poverty rates are in decline (from over 21% in 2018 to 18% in 2021) as the economy surged in 2021 with growth of around 7.6%. This makes the Philippines one of the fastest growing emerging markets, following a strong re-bounce out of the Covid.



REDUCING THE APPEAL OF SMUGGLING VIA CREATIVE LEGISLATION

In summary:

In moving to classify tobacco as an agricultural product, the Philippines Congress has proposed amendments to the country's agricultural bill that establishes the smuggling of tobacco as an act of economic sabotage. In automatically imposing non-bailable conditions, unlimited fines, and long jail terms for those convicted, this approach sends a strong signal to criminals that smuggling illegal tobacco will no longer be risk-free. This amendment has the potential to cut off contraband imports into the Southern islands, eliminating a large proportion of the illegal trade at a stroke.

The legal tobacco trade in Philippines

The Philippines is currently enjoying strong economic growth, up 7.6% in 2022. Tobacco is an important part of the economy, contributing around 6% of revenue or some P150bn to the exchequer in 2021, making the sector more than six times as valuable as it is to the UK, for instance. Two million people rely on the industry for employment.

Tobacco sales are in decline, with 48bn sticks sold in 2022, 6% fewer than the previous year. With ever-increasing rises in excise duties, legal sales are set to fall over the coming year by 4%, despite major brand players offsetting some of the tax hikes. As a result of legislation passed in 2013 (the RA 10351, known locally as the "Sin Tax" laws), revenues raised through tobacco sales have been used to finance public healthcare directly. Several independent studies have shown that these laws have created an increase in demand for illegal tobacco and revenue losses for the Government.

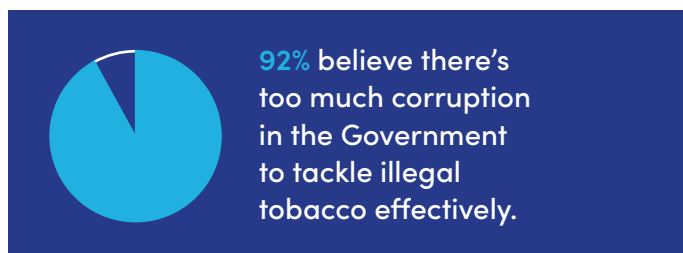
The illegal tobacco trade in the Philippines

Government restrictions on advertising and promotion in the Philippines continue to drive down legal tobacco sales. Following the pandemic, consumers have moved even closer to illegal sources of tobacco, made easier by the ability to informally purchase cigarettes through the vast network of Sari-Sari stores across the country. Illegal tobacco today accounts for around 16% of the market.

Although counterfeit production of illegal cigarettes is increasing, it is smuggling of tobacco through the porous South of the country that makes up the largest proportion of the illegal trade. Estimates by the Philippines Congress suggest that anywhere between P60bn and P80bn of revenue is currently being lost to illegal tobacco smuggling, with some estimating that the P100bn threshold has already been breached. It is generally agreed that addressing this smuggling route could help neutralise counterfeit production and cut off supply.

Focus for action in the Philippines: Tackling complicit corruption, smuggling, trade with legislation

Corruption is a significant problem in the Philippines, at political, regional, and agency levels within police, customs, and border enforcement. This – combined with the country's unique geography – 7,500-plus islands, home to 115m citizens – means that smuggling is a particular challenge here.



Corruptibility aside, catching smugglers is made more complicated by the ease with which criminals can evade capture and offload their cargoes. One of the biggest hurdles is the lack of enforcement on the high seas. Freighters carrying illegal consignments will routinely 'go blind' by turning off their nautical transponders making it difficult for the authorities to track suspect vessels.

The Philippines' vast network of Sari-Sari stores are obvious outlets for illegal tobacco products. Consumers routinely buy their cigarettes here 'by the stick', making it easy for criminals to distribute illegal whites and difficult for local law enforcement to police purchases or sales. And, despite recent legislation designed to curtail illegal trade, this has merely served to force retailers to move illegal product behind the counter.

Current penalties associated with illegal tobacco smuggling in the Philippines are at best considered lenient or, in many cases, not enforced at all. Consequently, criminals associated with the illegal trade do not feel threatened with the prospect of a custodial sentence. However, this may be about to change with proposed amendments to the country's Anti-Agricultural Smuggling Act, in which tobacco smuggling will now be classified as an act of economic sabotage. If passed and reliably enforced, this legislation is likely to lead to significant reductions in the levels of tobacco smuggling.

Strengthening enforcement and confiscation of illegal cargoes at sea will be critical. Improving how enforcement agencies can work together – to track and tackle smugglers at the border or en-route to the country – should also receive higher priority. Joined-up co-operation will also help, given the powers that are available to different Government agencies. This could be served by enshrining full powers of arrest by having the police regularly patrol on board with coast guard crews and by cementing agency links to improve data and intelligence sharing.

UNITED KINGDOM

Coping with the illegal trade in retail



A BRIEF ECONOMIC OVERVIEW

The UK is a nation in search of a new equilibrium.

Despite being a G7 economy, UK economic growth is stagnant, and inflation, though falling, has remained persistently high for more than 18 months. The combination of low growth, high interest rates, a catastrophic Budget from the short-lived Truss government, and wage growth barely able to keep close with inflation all mean that the UK is experiencing its largest ever cost-of-living crisis in living memory.

Reverberations of the divisive, ill-thought-through and poorly implemented Brexit continue to affect both political decision-making and business investment. With public debt standing at over 184% of GDP, it's unlikely that the economic situation will improve any time soon even if there is a change of government at the forthcoming General Election during 2024.

For consumers, it has meant a major pivot away from premium to more economical brands, as they attempt to cope with massive hikes in prices across the board. Remarkably for a nation which was once a beacon of light and progress to the world, fully 11.7 million of the UK's 67 million population now live in ascribed poverty and, according to the UK government's own figures, this is set to rise further to over 12 million in 2024.

Such dire economic circumstances provide ideal conditions for criminals looking to exploit the public's dwindling finances, as consumers look to save money.



TACKLING A GROWING THREAT WITH LIMITED RESOURCES

In summary:

In the UK, the Government's proposed generational ban on tobacco looks further set to undermine legal tobacco sales and drive more consumers into buying illegal tobacco products. With this proposed legislation now almost certainly to pass into law very soon, it remains one of a series of increasing restrictions and impositions on the sale of legal tobacco products that's making it easier for criminals to generate huge profits. Where the UK has had success to date is when the sometimes-competitive organizations with responsibility for enforcement worked in partnership. This is the key to further success in an era of competing priorities and dwindling resources.

The legal tobacco trade in the UK

Despite its historic status as a key economy for the tobacco trade, sales in the UK continue to fall, as regular increases in excise duty have driven prices up and consumption down. Around 80% of the retail price of a pack of cigarettes is made up of taxes, which last year generated £1bn, equivalent to 1% of the Government's total tax take. Tobacco receipts via HMRC accounted for around £10bn in 2023, but this is 3% less than the previous year, with the illegal market for cigarettes – not to mention the tax-free market of vapes – both acquiring larger shares of a declining market.

The illegal tobacco trade in the UK

The UK's Government's aim of reducing – and ultimately eliminating – smoking through stringent curbs on smoking plus restrictions on advertising, packaging, and promotion, is helping to steer smokers towards cheaper, illegal products. According to KPMG, the UK's illegal trade in tobacco was up three percentage points in 2022, accounting for one in five cigarettes smoked (21%). HMRC estimates that in 2021, the loss of revenue to the UK exchequer was a not inconsiderable £2.5bn.

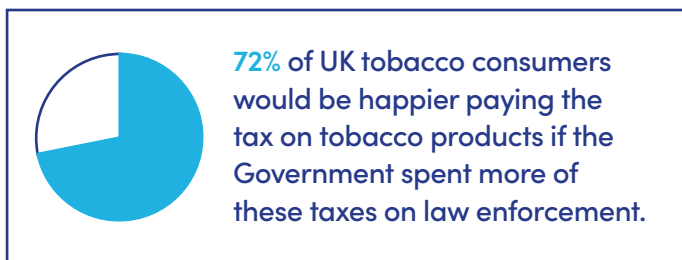
48%

of UK smokers are happy to buy cigarettes or tobacco even if they don't know their origin.

Illegal trade in the UK is set to grow, as criminals make the most of the golden opportunity presented by the especially acute cost-of-living crisis, ever-higher prices, and sustained consumer demand. The link between higher retail tobacco prices and an increased preparedness by consumers to move to illegal products is well documented. So, rather than decreasing levels of smoking, taxation merely increases the appetite for illegal products. The illegal trade in the UK benefits from cheap, migrant labour and an efficient, vibrant, and complex e-commerce fulfilment industry. Taken together, these factors mean that distribution is low risk, as are the chances of being caught.

Focus for action in the UK: Co-ordinated, multi-agency cooperation despite reduced investment

While concerns exist about the future growth of home production, the main current threat is the smuggling of contraband and counterfeit products. These mainly arrive from Poland and Eastern Europe via air and couriers. The illegal tobacco trade challenges the UK authorities because there are many agencies who have a legitimate role to play in tackling it, but they have conflicting – often overlapping responsibilities: Customs & Excise, Trading Standards, Border Force, the Police, and the National Crimes Agency to name only the most important. They also have dwindling resources.



The difficulty is that, with so many agencies involved and no one with overarching responsibility, things start falling between the gaps. Criminals are only too willing and able to exploit these loopholes and contradictions. The consequence is that this makes illegal tobacco a reasonably safe bet for OCGs because it is low-risk and high-reward.

There's a growing e-commerce threat, too. Unlike many other countries (such as the USA), the UK has not banned the sale of tobacco products online, provided the seller is registered. This has not gone unnoticed by the OCGs. Online illegal sales are difficult to quantify, but they probably remain relatively low today. Yet, the UK consumer's love of online shopping and the difficulties of tracking illegal shipments by post or mail suggests that this channel of distribution is likely to grow.



Isolated success has also emerged through Operation CeCe, a joint endeavour between UK Trading Standards and HMRC. In 2021-22, CeCe seized more than 27 million illegal cigarettes and 7,500kg of hand-rolling tobacco. However, this historic success – as well as that of Operation Jasper, set up in 2015 to crack down on illegal online sales of all counterfeit goods – only scratch the surface of the illegal online trade and need to be replicated at scale to be effective. Achieving this demands a more intelligent application of data, technology, and sharing of intelligence between agencies, and in conjunction with private industry, to spot trends, inconsistencies, and behaviours in criminal activity.

In an era of dwindling Government resources and conflicts of interests between different law enforcement agencies, the key to success in the UK – particularly post-Brexit, when the country benefits less from cooperation with mainland European partners – will be coordinated cooperation.

03 APPENDICES



METHODOLOGY

This report combines insight from several sources including a review of existing sector literature and expert qualitative in-depth interviews with academics, policy makers and law enforcement officials from across the United Kingdom, France, Canada, and the Philippines. Interviews with expert contributors were conducted between November and December 2023

Additionally, the study includes new findings from n=2,000 survey-based interviews* conducted with the public and smokers across the four key markets represented. Quantitative research was conducted by Intrinsic Insight among a nationally representative sample of members of the general public in each market between the 1st December 2023 and 12th January 2024.

The authors of this report do not necessarily endorse or substantiate the views of others, merely using existing articles and published data as the basis for our own arguments. We cannot be held responsible for the accuracy of secondary data or published articles. All assertions are those of the authors of this report alone.

GLOSSARY OF TERMS

Some of the main terms and abbreviations that may be found in the report are as follows:

AI	Artificial Intelligence
Bn	Billions
Bootlegger	A person who makes, distributes, or sells goods illegally
Consumption	Total cigarette and/or tobacco consumption among the population
Contraband	Genuine products that have been either bought in a lower-tax country and which exceed legal border limits or acquired without taxes for export purposes to be illegally re-sold (for financial profit) in a higher priced market
Counterfeit	Cigarettes that are illegally manufactured and sold by a party other than the original trademark owner
Duty Free	Cigarettes bought without payment of customs or excise duties. Consumers may buy Duty Free Cigarettes when travelling into or out of the EU27 (including Switzerland and Norway) by land, air or sea at legal Duty Free shops
EU	European Union
Governance	A system by which an organisation is controlled and operates, and the mechanisms by which it, and its people, are held to account
HMRC	His Majesty's Revenue and Customs

Illicit Whites	Cigarette brands produced legally in one jurisdiction but produced intentionally for smuggling into other countries where there is no prior legal market for them
Incidence/ Smoking incidence	The percentage of smokers in the population of a legal smoking age
ITT	Illegal Trade in Tobacco
LEAs	Law Enforcement Agencies
OCG	Organised Crime Group
ONS	Office for National Statistics
Red Tape	Regulations or conformity to formal rules or standards which are claimed to be excessive, rigid or redundant, or to bureaucracy claimed to hinder or prevent action or decision-making
Taxes/Taxation	The sum of all types of taxes, including excise duty levied on tobacco products, including VAT
Trading Standards Body	The UK body to protect consumers and safeguard legitimate businesses by tackling serious national and regional consumer protection issues and organised criminality
TRACIT	Transnational Alliance to Combat the Illicit Trade
Tr	Trillions
WCO	World Customs Organisation

ACKNOWLEDGMENTS AND SOURCES

The analysis in this report is based on primary qualitative research and quantitative interviews conducted by Intrinsic Insight.

Our own research analysis is further supplemented by relevant insight and data, as indicated in the text from, among others, the following sources:

1. Ernst & Young (EY) – Contraband Tobacco in British Columbia, Ontario and Newfoundland and Labrador, 2023
2. Ernst & Young (EY) – The Impact of COVID-19 on contraband tobacco and provincial tax revenues in Canada, 2020
3. KPMG – Illicit Cigarette consumption in the EU, UK, Norway, Switzerland, Moldova and Ukraine, 2023
4. Observatoire Francais des drogues et des Tendances Addictives (OFTD), 2021-2022
5. Directorate – General Taxation and Customs Union (TAXUD)
6. French National Gendarmerie (GN)/Europol, 2022
7. International Monetary Fund/World Bank – Tobacco Tax Administration: A perspective from the IMF
8. Oxford Business Group – Economic impact report, Tobacco in the Philippines, 2022
9. UK Office National Statistics (ONS), 2023
10. His Majesty’s revenue and Customs (HMRC), 2023
11. Euromonitor/BAT estimates
12. United Nations Office on Drugs and Crime (UNODC)/WCO, 2024
13. Tobacco in France – Euromonitor International 2023



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