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### **High tobacco taxes have created booming black market**

**03 October 2014; West Virginia, USA:**

High taxes on tobacco have created a booming global black market in illegal cigarettes, experts warned today.

Business leaders, industry commentators and public health experts said that governments need to do more to tackle the problem. Participants at the fifth GTNF (Global Tobacco Networking Forum) called for caution in raising taxes on tobacco. Governments must weigh the risk of exacerbating the illegal trade – which undermines both fiscal and social policy.

High taxation prices smokers out of the legitimate market and into the black market. And despite the efforts of governments, working in cooperation with the industry and enforcement agencies to tackle this crime, unbalanced taxation further fans the flames.

According to estimates, 570 billion\* illegal cigarettes were smoked last year, causing a loss to governments of \$40 billion\* on lost tax revenue and hitting legitimate businesses hard.

Ewan Duncan, head of Anti-Illicit Trade Intelligence at BAT (British American Tobacco) highlighted the problems caused by the illegal trade. He said: 'This is a global crime on a massive scale. We're seeing countries all over the world having to deal with the consequences of cheap, unregulated tobacco, often sold on the streets at half the price of genuine product. Black market cigarettes are much cheaper, with no guarantees about the quality of the product. Businesses are losing trade and governments are losing revenue.'

'What's more, the money earned from this trade is used to fund serious organised crime and this affects every part of society, in every country. The legitimate industry is doing all it can to expose this problem but its sheer scale requires governments to do more.'

Illegal tobacco has been linked to several organisations, including the IRA, Hezbollah and Al Qaida. Investigators have also uncovered links between the cigarette smuggling and organisations who smuggle drugs, guns and people.

The discussions at the GTNF come just weeks before tobacco regulators will gather under the umbrella of the WHO, at the sixth FCTC (Framework Convention on Tobacco Control) Conference of the Parties (COP).

Adrian Cooper, CEO of Oxford Economics added: 'The global tobacco control community will be heading to FCTC Conference of the Parties in two weeks' time, and will be lobbying regulators to raise tax sharply on tobacco as a health measure. But governments cannot ignore the fact that a one-size-fits-all tax policy doesn't work. Tax shocks make the problem worse by stimulating illicit trade. A better approach is long-term tax plans which address the health agenda whilst ensuring predictability of revenues and clarity of the business environment.'

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\*Source: Euromonitor International

### **About the Global Tobacco Networking Forum**

The Global Tobacco Networking Forum (GTNF) is the world's premier venue for interaction among tobacco and e-cigarettes industry representatives and engagement with stakeholders. It brings together industry members, media, commentators, and representatives of NGOs and the finance sector for two days of presentation, discussion and networking. The GTNF debuted in Rio de Janeiro, Brazil, in 2008 and has subsequently been held in Bangalore, India (2010), Antwerp, Belgium (2012) and Cape Town, South Africa (2013). This year it will take place in West Virginia, USA. The GTNF is organised and hosted by Tobacco Reporter magazine funded by sponsorship from numerous companies in the sector. For more information, visit: [www.gtnf-2014.com](http://www.gtnf-2014.com)