

Launching of Campaign to Combat Illicit Trade in Tobacco Products

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Cigarette Smuggling and Counterfeiting



- **Undermines State Revenues**
- **Injures livelihoods of honest retailers**
- **Forces otherwise honest people to trade with criminals**
- **Heightened public health risks associated with counterfeit cigarettes**
- **A worldwide problem growing exponentially**
- **Links to organized crime and terrorist financing networks**
- **Customs has pivotal role at borders**
- **Requires close collaboration with industry and other enforcement agencies**

Cigarette Smuggling /Counterfeiting:

A World-Wide Problem

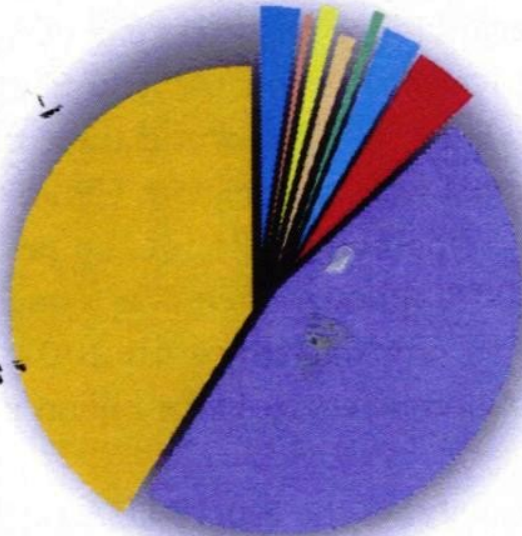


- Global annual production is approximately 5.6 billion pieces/sticks
- Europe and Asia are the two largest exporters of cigarettes.
- China is largest cigarette producing country (34%) followed by US, Russia, Japan.
- Smuggling is on the increase worldwide
- 70% of Cigarette Smuggling Originates from Asia & Pacific Regions
- Most seizures are being made in Europe
- High rates of duty/tax encourage smuggling

Cigarette Smuggling (2005)

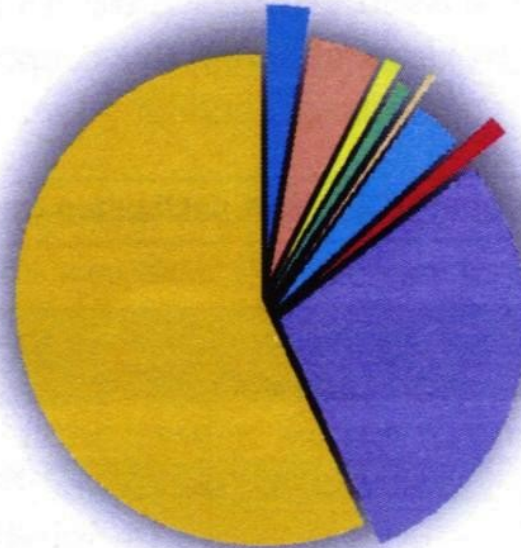


2005 – Number of cases: 1,184



31	Asia/Pacific
5	Middle East
14	Eastern and Southern Africa
13	Western Africa
9	North America
31	South America
52	CIS
545	Eastern and Central Europe
484	Western Europe

2005 – Quantity: 2,194 million pieces



60,885,100	Asia/Pacific
101,478,800	Middle East
22,274,800	Eastern and Southern Africa
10,901,865	Western Africa
19,991,800	North America
72,739,860	South America
27,715,000	Eastern and Central Europe
634,689,291	CIS
1,242,988,634	Western Europe

Cigarette Smuggling



Significant Revenue Loss from Cigarette Smuggling

- No market survey has yet been done in Mauritius on the % of the market that is smuggled.
- A recent study conducted in South Africa revealed that what was thought to be 2-4 % smuggled was in fact in excess of 15% smuggled
- For each 1 % of market smuggled in Mauritius would represent a revenue loss RS 26 million.
- It is important for Customs to be proactive, especially given the significant increases in excise tax imposed on cigarettes, and increasing incentive smuggle cigarettes

Counterfeit Cigarettes

- Asia/Pacific is top region for supplying counterfeit cigarettes
- Counterfeiting cigarettes is an increasing worldwide phenomenon
- Most counterfeit cigarettes manufactured in underground networks, making detection difficult
- Production and distribution networks are often linked to organized crime and terrorist networks
- Corruption involving public officials is often involved

Counterfeit Brands Seized Worldwide



Counterfeit brands 2005	
Brand	Quantity (pieces)
Marlboro	308,486,827
Superkings	74,970,800
Regal	33,501,980
Lambert & Butler	22,009,580
Benson & Hedges	21,613,000
Dunhill	9,340,000
Derby	6,550,000
Gauloises	5,003,720
LM	4,296,000
West	3,319,600
Mustang	2,000,000
Eros	230,000
Unknown brand	27,823,680
Total	519,595,187

Higher Public Health Risks of Consuming Counterfeit Cigarettes

Recent UK Test Results comparing counterfeit vs genuine cigarettes:

- 60% more tar;
- 80% more nicotine;
- 133% more carbon monoxide
- 3 times the level of arsenic;
- 5 times the level of cadmium;
- 6 times the level of lead

Battle Plan

- **Public Education Campaign:**

- Sensitize public to scale of problem, and negative impact on economy and public health
- Warn those involved in these illegal activities of the consequences
i.e. seizure + penalty
(minimum of Rs10,000;
max penalty 3X Duty Paid Value)

- **Solicit public support and assistance to report smuggling and counterfeit cigarettes via**

Customs Hotline:

Voice: 800 9200

Fax : 800 9400

custompl@bow.intnet.mu

Battle Plan

- **Joint Customs/Police spot checks**
at retail outlets to detect/seize both smuggled and counterfeit cigarettes
- **Customs heightening vigilance** over avenues where cigarette smuggling may occur e.g. sea cargo, air cargo, freeport, fishing vessels.

Battle Plan



- **Customs Partnership with Tobacco Importers and Manufacturers**

- MOU framework for mutual assistance, intelligence sharing, collaboration in detecting, testing and seizure of smuggled and counterfeits on market.
- MOU to be signed by end of 2006

- **Introduction of Band-Roll/Tax Stamps**

- Unique stamp placed on each package at time of manufacturer will allow easy identification of smuggled and counterfeit cigarettes on local market
- Finance Act 2006 S. 25(2) (d) already passed
- Bandrolls be implemented by September 2007

Band-Roll/Tax Stamp



Tax Stamp

Tax Stamp



Examples of Countries using Tax Stamps

- Ireland
- Netherlands
- Bulgaria
- Russia
- Belgium
- Germany
- USA
- Canada
- Iran
- Columbia
- Thailand
- Kenya
- Uganda
- Rwanda
- Tanzania
- Georgia
- Ukraine
- UK



Examples of Tax Stamps in Region



Battle Plan

- **Standardized Public Health Warnings on Cigarette Packaging proposed to be introduced**
- Text and size of warnings required on all cigarette boxes currently being defined by Tobacco Board and Ministry of Health