



Challenges and Opportunities for the Illicit Trade Protocol

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WHO FCTC Protocol to eliminate illicit trade in tobacco products (ITP)

- ✓ Adopted: 12 November 2012
- ✓ Entry into force: 25 September 2018
- ✓ 62 ratifying parties
- ✓ Objective: elimination of illicit trade in tobacco products
- ✓ Aims to secure the supply chain and promote international cooperation

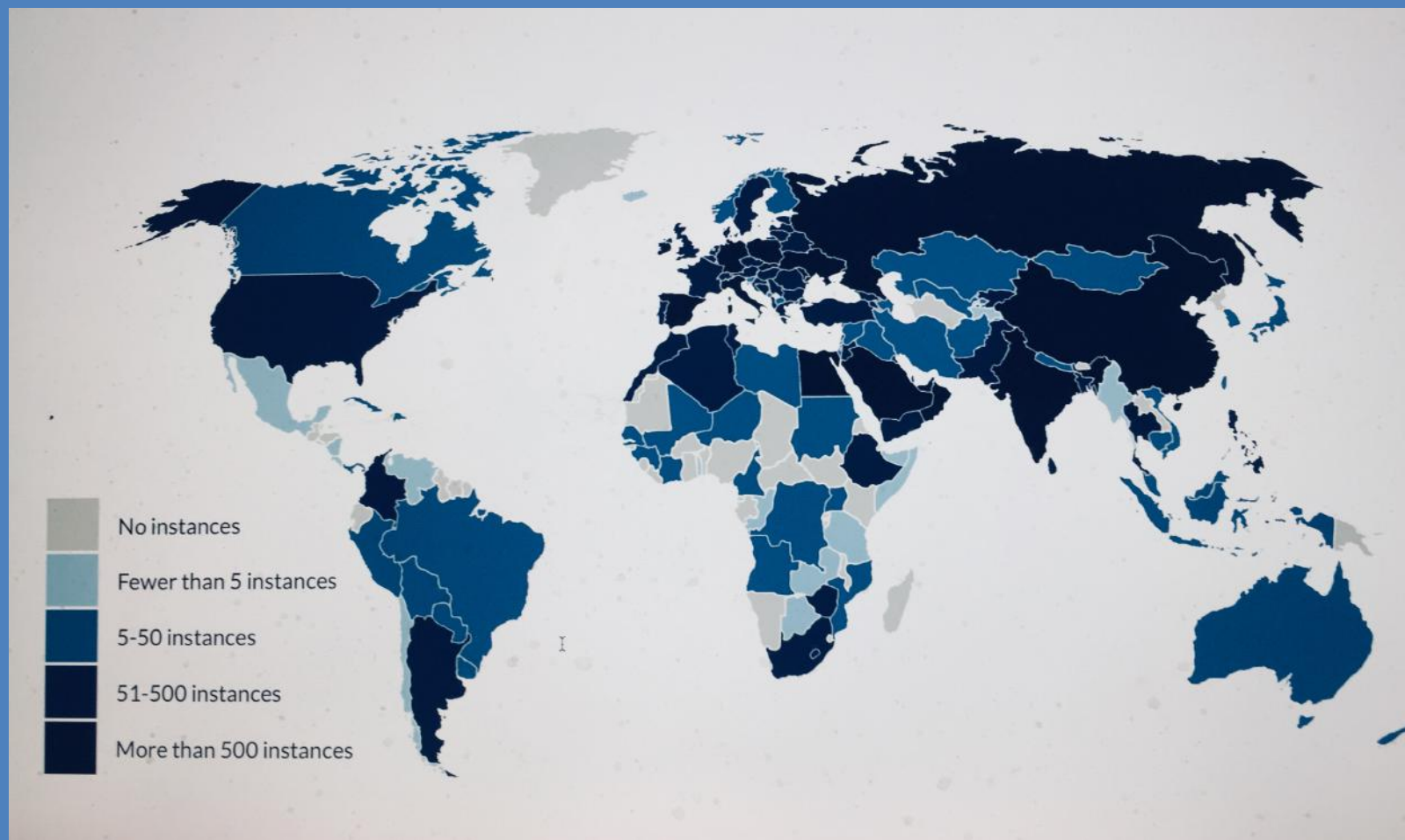
Important Parties have ratified ITP

Parties to the Protocol to Eliminate Illicit Trade in Tobacco Products



The new treaty aims at eliminating all forms of illicit trade in tobacco products. It provides tools for preventing illicit trade by securing the supply chain, including by establishing an international tracking and tracing system, by countering illicit trade through dissuasive law enforcement measures and a suite of measures to enable international cooperation.

Some Parties with high trafficking instances (origin, transit or destination of seized tobacco products) are missing.

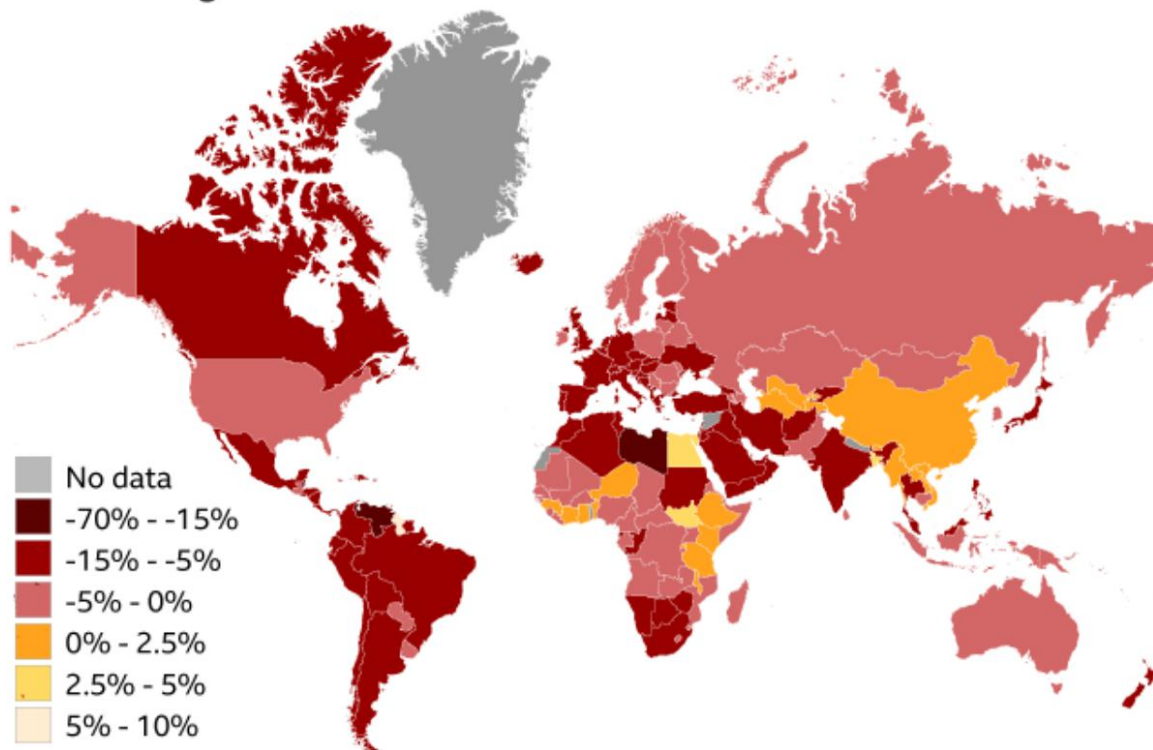


Source: World Customs Organization, 2019

Additional concern: the potential impact of Covid-19 on the Protocol: global economy shrunk by 4,4% in 2020 (Source: IMF)

Majority of countries in recession

Real GDP growth



Source: International Monetary Fund

BBC

Eliminating the global illicit cigarette trade might help to raise revenue.

- Revenue losses estimated at \$40.5 billion annually.
- If the global illicit trade were eliminated, governments would gain at least \$31 billion.

World Bank income group	Illicit market share (2007)	Revenue lost to government (US\$)
WORLD	11.6%	40.5 billion
High income	9.8%	17.6 billion
Low and middle income	12.1%	22.9 billion

Elimination of illicit cigarettes would increase tax revenues.

A recent study, undertaken by the WHO health economists, found that the elimination of illicit cigarettes would increase the tax revenues from the sale of cigarettes by 11.2%.

Source: Goodchild M, *et al.* Potential impact of eliminating illicit trade in cigarettes: a demand-side perspective, *Tobacco Control* 2020;**0**:1–8.

The SWOT analysis: Illicit Trade Protocol

Strength:

- ✓ International collaboration and more enforcement is effective to combat illicit trade.
- ✓ Elimination of illicit trade could raise revenue and could be part of a covid-19 recovery strategy.

Weakness:

- ✓ Lack of expertise of health officials on illicit trade in general and traceability specifically.
- ✓ Covid-19 complicates capacity building and FCTC decision making.

Opportunity:

- ✓ Tracking and tracing and supply control measures are strong obligations in the ITP.

Threat:

- ✓ Tobacco industry is proposing their own traceability system which they control.
- ✓ In all regions, INEXTO is proposing partnerships or software solutions.

Tracking and Tracing

- 1) Unique identifier, including a serial number
- 2) Data carrier with key product info on packs
- 3) Applying the unique identifier and aggregation on tobacco product packaging
- 4) Recording of events along the supply chain
- 5) Independent storage of the data.
- 6) Exchange of data globally with the Global Information-Sharing Focal Point

Implementing traceability system will be difficult

- ✓ Time is running: Tracking & Tracing obligations are entering into force in September 2023.
- ✓ Half of the ITP Parties are low- or middle-income countries with lack of expertise and funding to establish a tracking and tracing system.
- ✓ A decision on the Global Information-Sharing Focal Point should be taken at the next Meeting of the Parties (MOP).
- ✓ The need for international standards: domestic traceability systems might not communicate with each other in a global setting.
- ✓ The need for independent traceability software solutions to counter the INEXTO initiative.

New report highlights tobacco industry interference in West Africa

- ✓ Many Parties in West Africa have ratified the ITP, but will struggle to implement the ITP obligations in a context of huge tobacco industry interference.
- ✓ Big Tobacco is proposing easy to use software to generate unique identifiers.



Source: Organized Crime and Corruption Reporting Project, OCCRP, 2021.

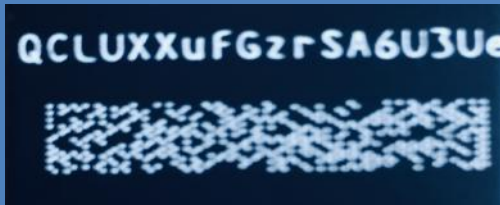
Domestic traceability systems don't use the same standards

Unique marking will give authorities direct access to key product information (Art. 8.4.2):

- Date and location of manufacture,
- manufacturing facility,
- intended market of retail sale and
- product description.

- ✓ Key product information is sometimes accessible via an application for domestic law enforcement officials only.
- ✓ Coded key info in data carrier (such as A1B2C3D4L2M3M4) requires a decoder.
- ✓ Encrypted key info requires also a decryptor tool.

Example of
unique identifier



Data carrier
with key
product info

Conclusions

- ✓ Eliminating the illicit cigarette trade might raise billions of dollars and could increase tax revenue from cigarette sales. It could be part of a covid-19 recovery strategy.
- ✓ The strategy for technical and financial support for implementing the Protocol requested by the first Meeting of the Parties and the establishment of a global tracking and tracing system require some urgent decisions.