CIGARETTE SMUGGLING

Trends, taxes and big tobacco

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Introduction

From prison cells to the frontlines of wars, from black market barter currency to luxury product, few licit goods are as intimately associated with smuggling in the popular imagination as cigarettes. Tobacco products were one of the central goods smuggled by the legendary French highwayman and smuggler Louis Mandrin in the eighteenth century (Kwass, 2014), and have provided the modern-day Algerian jihadi leader Mokhtar Belmokhtar with the nickname ‘Mr Marlboro’ for the role that cigarette-smuggling played in funding his operations. Today, the smuggling of tobacco products is a global industry that spans all continents and can be found almost anywhere where borders separate states. Although estimations vary substantially, studies suggest that today over 11% of the global cigarette market is illicit, amounting to over 650 billion cigarettes per year, and making it one of the most smuggled licit goods on the globe (Joossens et al., 2010).

At first, this role of cigarettes in the global smuggling economy can appear somewhat surprising. Tobacco is not an illegal substance in most countries and legal trade routes exist alongside a highly capitalised industry with a substantial global trade infrastructure. Tobacco is not an essential commodity and its consumer market is smaller than that of gasoline, alcohol, or a huge variety of food products. Contrary to more criminalised narcotics such as cocaine or heroin or minerals such as gold or coltan, its monetary value relative to its size is limited, requiring the movement of larger quantities to secure a substantial profit. While it has frequently been claimed that high levels of taxes and tariffs are driving cigarette smuggling, illicit trade in regions with higher average tax rates such as Europe has been lower in recent years compared to regions with lower average rates such as sub-Saharan Africa. Consequently, tobacco products more broadly, and cigarettes in particular, provide an excellent case study of the drivers and dynamics of the smuggling of licit consumer goods in the modern global economy.

After providing a brief introduction to the varieties of cigarette smuggling and sketching global trends and routes, this chapter focuses on two aspects of cigarette smuggling that are particularly instructive in illuminating the smuggling of licit goods more broadly. First, it surveys discussions on the drivers of cigarette smuggling, highlighting that while analyses frequently have focused on prices, taxes and regulatory instruments, drivers are in fact more diverse, and taxes remain a highly effective policy tool in curbing the adverse health effects of

tobacco consumption (Chaloupka, Straif and Leon, 2011). Second, it examines the intersection between the global tobacco industry and tobacco smuggling networks, noting that the two are not as separate and adversarial as is frequently assumed, and how industry influence has shaped smuggling research and policy itself. The chapter concludes by highlighting key conclusions and relevant communalities with other smuggled goods discussed in this volume.

The global illicit cigarette trade

The global illicit trade in cigarettes can be sub-divided broadly into at least three categories. The first includes the illegal trade of genuine brand cigarettes such as Marlboro or Benson & Hedges. The second refers to the smuggling of counterfeits of these brand products, which are consequently not only illegal to be traded, but illegal at the point of production, where they are manufactured without the consent of the brand owner. The third category refers to so-called ‘cheap whites’ or ‘illicit whites’ – these are cigarettes that are manufactured legally in one country, but then smuggled into a market where they have no legal distribution, and typically are sold without paying tax.¹ The latter are frequently produced in large bulk for this particular purpose – here, free trade zones on the Arabian Peninsula have received increasing attention in recent years.

Cigarettes are the dominant, but not the only tobacco product that is smuggled. Of the total number of seizures of excisable goods globally by customs organisations in 2019, cigarettes made up 55%. Other products include chewing, dipping and waterpipe-tobacco (22%), and cigars and e-cigarettes (about 7%). It’s interesting to note, however, that the smuggling of tobacco products, at least by this rather limited metric, dwarfs the smuggling of alcohol products, which made up the remaining 16% (World Customs Organisation, 2019).² While small-scale smuggling and bootlegging of limited quantities of cigarettes is familiar to many, they exist alongside a large-scale and wholesale trade of smuggled cigarettes. Consequently, many of these smuggling operations are not limited to one particular region or borderland, but operate in large international supply chains, and are closely interlinked both with the global infrastructure of the international trade system and its legal structures, featuring free trade zones and ‘in transit’ systems that allow for the suspension of taxes and duties while goods are passing through a defined customs area (FATF, 2012).

Consequently, cigarette smuggling today does not provide a simple global division between production, transit, and consumption regions – it is prevalent across regions, with illegal trade corridors and markets for different products overlapping and intersecting. While Latin America likely has the largest illicit market share as a percentage of retail sales, Asia and the Pacific’s high total retail volume in all probability gives it by far the highest volume of illicit trade if measured in sticks of cigarettes (World Health Organization, no date). Broadly, it is worth noting that the illicit market share in low and middle income countries (12.1%) is estimated higher than in high income countries (9.8%), despite the typically higher price of legally traded cigarettes in the latter (Joossens et al., 2010).

This has been accompanied by a global shift in cigarette consumption more broadly. While the prevalence of smoking in Europe, North America, and high-income countries as a group has dropped substantially and consistently across the past four decades, this pattern is less clear in many developing countries. As a result of simultaneous demographic changes, the total number of smokers in much of the developing world has expanded. Africa’s youth, in particular, appears overrepresented among new smokers (Ramanandraibe and Ouma, 2011; Blecher and Ross, 2013; Vellios, Ross and Perucic, 2018). With this, the health challenges of smoking have also shifted – it has been projected that by 2030, 6.8 million out of a global total of 8.3 million

tobacco-related deaths will occur in low- and middle-income countries (Mathers and Loncar, 2006).

This points to two interconnected aspects about cigarette smuggling that are worth highlighting. The first is that – like other frequently smuggled goods such as cocaine or heroin – tobacco has substantive negative health effects on those who consume it. Consequently, governments have an incentive to impose additional restrictions on the sale of tobacco products in order to limit negative health outcomes or account for their strain on national health systems. At the same time, unlike various other drugs, there exists a substantive, global and highly capitalised legal market for tobacco products. As the remainder of this chapter will highlight, those two aspects in combination have had a substantive impact on how cigarettes are sold, traded and smuggled, but, critically, also on how this smuggling has been studied, understood and reported.

Smuggling of licit goods: beyond price and taxes

As a good that is frequently smuggled despite the existence of legal channels for its production, trade and distribution, the search for the drivers of tobacco smuggling has typically begun with its price.³ More specifically, the common assumption is that cigarette smuggling is primarily driven by arbitrage that is based on the evasion of taxes, tariffs and similar restrictions on legal trade. In this, many discussions about cigarette smuggling are representative of an extremely prevalent way of thinking about the smuggling of licit goods, especially in economics. Traditional discussions on the welfare effects of smuggling in economic theory (Bhagwati and Hansen, 1975; Martin and Panagariya, 1984; Norton, 1988) primarily treat the smuggling of licit goods as tariff evasion. The World Custom's Organisation's Illicit Trade Report lists tobacco smuggling in a section entitled "Revenue" (World Customs Organisation, 2019).

The logic underlying this is simple and reflects the intuitive fact that price differences and arbitrage opportunities have a direct effect on the bottom lines of smugglers of licit goods, and a particularly substantive one in the case of highly taxed goods such as tobacco products. The latter aspect, furthermore, makes this relationship particularly sensitive for goods, such as cigarettes, which carry substantive health effects. Taxes have been found to be the most effective policy tool to reduce overall smoking prevalence, reduce overall deaths caused by smoking, and raise funding to support health systems in combatting the health effects of smoking (Chaloupka, Straif and Leon, 2011). Consequently, if tax and hence price effects were the primary driver of cigarette smuggling, this would raise substantive questions about the overall welfare effects of taxing tobacco.

Fortunately, however, even a cursory look at the global picture of cigarette smuggling suggests that prices are likely substantially overstated as a driver of tobacco smuggling. While high-income countries in Europe and North America have substantially higher cigarette prices, which are largely driven by substantially higher taxes, their illicit cigarette market share is smaller on average than in lower- and middle-income countries. Africa provides a fitting illustration, as it features on average substantially lower cigarette prices and tax rates than Europe, but high levels of tobacco smuggling in various regions on the continent.⁴

In recent years, an increasing body of research has supported the view that prices, tax and tariff rates may certainly affect the calculations of smugglers but should not be looked to as the sole or even dominant driver of tobacco smuggling. A recent global report by the World Bank concludes that "contrary to tobacco industry arguments, taxes and prices have only a limited impact on the illicit cigarette market share at country level" (Dutta, 2019). Illustrative case studies can be found across the globe. South Africa, for example, started to employ a deliberate

tobacco control policy in the 1990s, which included a large increase in excise taxes, raising the price of cigarettes. As a consequence, cigarette consumption per capita fell by more than 60% by the early 2000s (Walbeek and Shai, 2015). At the same time, however, the market share of smuggled cigarettes seems to have grown only marginally, despite the rapid increase in price (Blecher, 2010).

Crucially, it does not appear to have undermined substantially the desired revenue and health effects of these tax increases. Using a synthetic control method to estimate tobacco consumption trends in South Africa, a 2017 study directly traces the substantial decrease in smoking to tax measures (Chelwa, Walbeek and Blecher, 2017). Even as the relative market share of smuggled cigarettes increased somewhat, actual consumption in both the licit and illicit market decreased. Notably, the tax revenue from higher excise taxes offset the tax losses caused by illicit trade (Blecher 2010).

The United Kingdom in the 1990s at first seemed to illustrate a simplistic relationship between cigarette prices and smuggling. Seeking to reduce the smoking prevalence, the UK had implemented a series of substantive tax hikes. As the price of cigarettes increased, so did tobacco smuggling. Notably, a significant number of cigarettes smuggled were mainstream tobacco industry brands. Their smuggling and sale at a lower price in the UK undermined both the intended health benefit of the tax hike and the tax revenue itself. However, following this, the UK embarked on an ambitious tobacco control policy in the early 2000s, focusing on supply-side measures such as disrupting distribution chains and investing in new operational responses. In the following decade, the estimated illicit cigarette market share fell from 21% to 9%, leading the UK to a new equilibrium of some of the highest cigarette prices in the world and comparatively lower levels of smuggling (ASH, 2012; Tessa Langley et al., 2019).

As recent years have seen research on tobacco smuggling continuously highlight⁵ that price-level dynamics are not the only or perhaps the central factor in driving cigarette smuggling, this has two obvious corollaries. The first is an increasing consensus that high rates of taxation provide the most effective tool for combatting the health effects of tobacco consumption, and that it is not necessarily or automatically undermined by smuggling. Consequently, the World Health Organization (WHO) has been recognising the importance of tobacco taxation in Article 6 of its framework convention on tobacco control and recommending a minimum 75% tax share of the retail price of tobacco (World Health Organization, 2014). At the same time, smuggling control alongside taxation has increasingly become a key WHO issue, as reflected in the WHO Framework Convention on Tobacco Control's (FCTC) adoption of the Protocol to Eliminate Illicit Trade in Tobacco in 2012. The second has been an increasing focus, both by researchers and policymakers, on the non-price drivers of tobacco smuggling, and in particular supply side dynamics.

Diverse drivers and dynamics

A wider view of different drivers and dynamics of cigarette smuggling points to at least three additional sets of – interacting – factors: regional cooperation; the involvement of state actors; and the effectiveness of supply-chain control. The first point is a rather simple addendum to the price debate, noting that the absolute price of cigarettes or their price in global comparison is not as crucial a factor as the price in comparison to a country's immediate neighbours. Here, too, the same limits to the price argument noted above still apply, but this consideration has given rise to increasing efforts to coordinate regional-level agreements, for example among the Economic Community of West African States (ECOWAS).

A larger set of factors relate to the involvement of state actors and can be grouped under the political and governance context of cigarette smuggling. On a basic level, arguments here have often been focused on the idea of corruption. Publications by the WHO and the World Bank have noted that standard corruption indicators by organisations such as Transparency International strongly correlate with levels of tobacco smuggling (The World Bank, 1999), and may indeed provide a stronger predictor of illicit trade than price or tax levels (Jha and Chaloupka, 2000). Needless to say, this represents a very broad relationship. However, the intuition behind it has remained prevalent in more recent indices that have tried to capture the vulnerability of states to organised crime and illicit trade such as the Economist Intelligence Unit's (EUI) 'Illicit Trade Environment Index,'⁶ Frequently, the assumption here is that the ability of smugglers to 'pay their way' is a consequence of 'petty corruption' in customs agencies, created by poor pay of low-level bureaucrats, principal-agent problems or poor institutional design, reflecting a broader 'crime-fragility rationale' (Heuser, 2019) in much analysis on smuggling and states. Typical interventions here have included so-called 'anti-corruption trainings' and new managerial techniques or surveillance methods in the interaction with customs agents.

Ethnographic studies of illegal economies more widely, however, have for a long time questioned these rather simplistic assumptions in accounts of 'corruption.' As a full discussion of this literature – particularly well-developed in African borderland studies and highlighted in other entries in this volume – goes beyond this chapter, I focus on the observations most relevant to the drivers of smuggling. One frequent observation here has been that some political actors or state structures may tolerate cigarette smuggling for reasons other than simple monetary pay-offs that can be monitored, disincentivised or cracked down on. Distributive politics can play a crucial role in motivating states to tolerate and structure smuggling in order to provide incomes for politically relevant actors or otherwise economically marginalised regions (Gallien, 2020b). Both tobacco farmers and small-scale smugglers may represent potential constituencies for such arrangements. The connection of cigarette smuggling to war economies in the Sahel or the DRC have further complicated these dynamics (Titeca, Joossens and Raw, 2011; Kehoe Down, Sawadogo and Stocks, 2021). At the same time, as Andreas (2009) has highlighted, more substantive controls on the trade infrastructure that large-scale smugglers utilise may also be politically undesirable if it simultaneously inconveniences other trade flows – both illicit and licit.

The latter provides a further complication to a simplistic view of 'corruption' in this context. As will be discussed below, the past years have also seen extensive and not always transparent attempts by the formal global tobacco industry to influence, lobby and pressure governments, particularly in developing countries (Boseley, 2017). Consequently, a simple separation of the political influences of different actors within global cigarette supply chains into 'corruption' on the one hand and regular business-state relationships on the other, may be neither analytically simple nor politically meaningful.

There is also a need to rethink where relevant instances of 'corruption' are located, and what they look like. Gallien and Weigand (2021) have noted that the types of interactions through which smugglers engage with state agents at borders include not only petty corruption and genuine enforcement, but a whole range of rather structured deals and informal agreements, from complete toleration to 'flatrate' payments that smugglers make to customs personnel on a regular basis. Notably, they highlight that the types of interactions that state structures offer smugglers is a central determinant of how smugglers choose their routes. Dobler (2016) makes a similar observation, noting that different types of cross-border traders prefer different environments and infrastructure depending on the nature of their trade, their capital, scope,

political and social connections. He distinguishes between the actors of the ‘green’ border that trade across the borderlands, the actors of the ‘grey’ border that trade through roads and border crossings, and the actors of the ‘blue’ border that trade through the large transport infrastructure of the global trade system. Given the nature of the global illicit cigarette market as described above, with a range of highly capitalised large-scale actors, it therefore appears that the particular corruptibility of low-level customs agents at border checkpoints that is frequently imagined here frequently may not be a crucial factor. More important aspects may be the ability to gain access to large-scale trade infrastructure, the ability to navigate customs at more central nodes such as airports and ports, and the governance of free trade zones.

All this directly connects to the third and perhaps most critical set of drivers here, which centres around supply-chain control. As highlighted in the section above, the effects of price or tax increases on smuggling have been found to be highly dependent on states’ ability to control and combat illicit supply chains into their territory. Returning to the example of South Africa provides a useful illustration here. While the illicit market share did not increase substantially during the introduction of higher tax rates, as discussed above, it did spike in the 2010s. Recent scholarship has attributed this to a simultaneous drop in the ability of the South African Revenue Services (SARS) to perform its central functions as a consequence of internal restructuring and the disbanding of specialised units (Vellios, Walbeek and Ross, 2020, p. 240).

In line with the larger global structures of cigarette smuggling, the focus in thinking about supply chain control has shifted from a simplistic focus on border control and towards a larger and more holistic management of cigarette supply chains. This extends from production to import and distribution, transit and free trade zones. Modern supply chain control can be assisted through simple markers like excise stamps,⁷ however best practice increasingly points towards more expansive, consistent and comprehensive track and trace measures (Ross, 2017). It furthermore requires a sensibility to the political and social embeddedness of these streams. Critically, this necessarily includes both the licit and illicit supply chains, including specific measures against tobacco industry involvement in supplying illicit trade corridors (Joossens and Raw, 2008). Consequently, this brings supply chain control even more firmly in the sphere of interest of the global tobacco industry.

As this section has noted, a more in-depth and holistic view of the underlying drivers and dynamics of tobacco smuggling beyond price and taxes brings the analysis of cigarette smuggling a little closer to those dynamics that are frequently highlighted for the smuggling of illicit goods as well: interactions with state structures, embeddedness in politics and the challenges in tracking complex international trade flows. It implies that the distinction between the dynamics of smuggling of ‘excisable’ goods and other goods often may be somewhat overstated. Crucially, however, the factors discussed here begin to point to an elephant in this chapter that needs to be addressed more systematically: the relationship between cigarette smuggling and the global – legal – tobacco industry. This stands at the heart of the following section.

Industry influence and tobacco smuggling

One of the most important insights from research on tobacco smuggling in recent decades is that limiting analyses to the moments and places where cigarettes are crossing borders illegally obscures more of the wider picture than it illuminates. Understanding the global illicit cigarette market requires the recognition that it is influenced critically by the existence, involvement, and interests of the global legal cigarette industry. The global legal tobacco industry is substantive and highly capitalised, totalling approximately US\$800 billion (Euromonitor, 2014). While the market has become internationalised, control has increasingly consolidated, with the

vast majority of the market controlled by five transnational companies.⁸ Spanning vast globally integrated value chains from production to distribution, transnational bulk trade is a critical feature of the global tobacco industry. Alongside rules of trade, the tobacco industry has also become notorious for seeking to influence the legal context in which cigarettes are sold and priced, using a wide range of tactics from lobbying and campaign contributions to financing and influencing research (Yach and Bettcher, 2000; World Health Organization, 2009). The remainder of this section focuses on three dynamics through which the tobacco industry affects tobacco smuggling: its direct involvement in illegal trade; its indirect involvement through affecting government policy; and its influence on research and academic discourse on smuggling.

First, there has been extensive evidence that the global tobacco industry has actively participated in or relied on the smuggling of its products. Smuggling can help cigarette companies evade taxes and tariffs, undermine control measures such as age limits and warning labels, or more cheaply establish its brand in a market before entering it legally. It is worth noting that today, the vast majority of seized smuggled cigarettes are not illicit whites or counterfeits, but recognised tobacco industry brands (Gallagher et al., 2019). Tobacco industry involvement in smuggling became a major public talking point in the early 2000s, when a *Guardian* exposé examined how British American Tobacco was benefitting from and exploiting the smuggling of its products to boost sales (Maguire and Campbell, 2000). “Smuggling, often organised in a furtive and clandestine manner, has been BAT company policy since the late 1960s” one of the reporters involved later testified in front of the Health Select Committee (TobaccoTactics, 2020). In a reply to the allegations, BAT’s deputy chairman replied rather candidly, suggesting that legal tobacco firms also see their products as competing on the illicit market:

Where any government is unwilling to act or their efforts are unsuccessful, we act, completely within the law, on the basis that our brands will be available alongside those of our competitors in the smuggled as well as the legitimate market. (Clarke, 2000)

A few years prior, the smuggling of cigarettes from Andorra into Spain showed a similar dynamic. At the time, smuggling out of Andorra was a major supply channel for the illicit cigarette market across Europe. Particularly notable, however, was not just the smuggling trade out of Andorra, however, but the legal trade into it. Between 1993 and 1997, legal cigarette exports from Britain to Andorra increased by a factor of over 100, and reached a level that would have been sufficient to supply every citizen of Andorra with 60 British cigarettes per day (Joossens and Raw, 2000). Reducing cigarette smuggling into Spain therefore did not only depend on action at the border or on interdicting of street-level distribution, but both a wider approach to supply chains and legal changes within Andorra. Consequently, researchers highlighted that combatting tobacco smuggling and supply chain control need to focus more directly on the role of the legal tobacco industry in illicit trade – ‘turn off the tap,’ so to say (Joossens and Raw, 2008).

The late 1990s and early 2000s saw an increasing focus on the industry’s role in smuggling by policy-makers, particularly in Europe. Following an investigation by the EU Commission regarding American contraband cigarettes on the European market, tobacco industry giants settled their cases in exchange for payments of US\$1.25 billion (PMI), US\$400 million (JTI), US\$300 million (Imperial) and US\$200 million (BAT) (Snyckers, 2020, 52). Despite these expensive settlements, there are numerous indicators that, in a wider global context, many of these same dynamics are still prevalent. For example, between 2008 and 2010, a group of

tobacco industry companies had to pay a total of US\$1.7 billion in fines for their role in tobacco smuggling in Canada (Daudelin, Soiffer, and Willows, 2013). BAT has been fined repeatedly for a variety of inconsistencies around their book-keeping in South Africa (Snyckers, 2020, 39) and has been fined by HMRC for ‘oversupplying’ cigarettes to Belgium with a high risk of smuggling (BBC News, 2014).

A particularly striking case study has been highlighted in a recent report by the Organised Crime and Corruption Reporting Project (OCCRP) on cigarette smuggling in West Africa. It highlights, like a range of recent scholarship has done, that profits from the expansion of cigarette smuggling have fuelled the violence in northern Mali by providing funds for armed groups. Critically, however, the report also points to the role of formal tobacco industry and state actors in this dynamic. It argues that British American Tobacco has closely monitored the situation and strategically over-supplied Mali with cigarettes, knowing that they would be traded and distributed by traffickers. At the same time, Malian authorities were found largely to turn a blind eye to these proceedings, overlooking obviously ‘impossible’ reports by BAT’s local distributor (Kehoe Down, Sawadogo and Stocks, 2021).

Despite the continuation of these dynamics, the tobacco industry in recent years has sought to re-position itself as a victim rather than a perpetrator of cigarette smuggling – and, crucially, as a partner in fighting it. This has included a range of Memoranda of Understanding of tobacco industry players with customs agencies and international organisations as well as attempts to affect policy more concretely. One of the most critical aspects of this has been in the context of supply chain control. Both the WHO’s Framework Convention on Tobacco Control (FCTC) and the Protocol to Eliminate Illicit Trade in Tobacco Products (ITP) have pointed to track and trace systems as centrepieces to combatting the illicit cigarette trade.

Controversially, however, large tobacco industry players have themselves begun to produce and provide track and trace technologies. Notably, PMI both developed and patented its ‘Codentify’ system and then licenced it for free to its main competitors (Joossens and Gilmore, 2014). Following this, the industry has increasingly pushed for the adoption of Codentify even though its ties to the tobacco industry are in clear contradiction of the terms of the ITP (Ross et al., 2018; Gilmore et al., 2019). Tobacco control scholars have expressed serious scepticism over the effectiveness of Codentify, noting its vulnerability to falsification, the absence of independent audits, its undermining of tax stamps, and its potential to move further control away from tax authorities and toward the tobacco industry itself (Joossens and Gilmore, 2014; Ross, Eads and Yates, 2018).

Tobacco industry influence on cigarette smuggling has not only been limited to specific policy tools, but also affected how smuggling and counter-smuggling policy is discussed more broadly. Even though the connection between price and tobacco smuggling is not straightforward, as discussed above, the tobacco industry has systematically exploited the bogeyman of smuggling in order to argue against cigarette taxation and other tobacco control policies such as standardised packaging (Fooks, Peeters and Evans-Reeves, 2014; Gallien, 2020a). This has included not just targeted lobbying but also the creation of a policy discourse that simplifies the relationship between price and smuggling, overstates the amount of smuggling, overstates the role of ‘illicit whites,’ and underplays the involvement of the legal industry (Gallagher et al., 2019). Industry players have sought to influence news coverage (Evans-Reeves et al., 2020) and have partnered with academics, think tanks, consultancies and research institutions such as the International Tax and Investment Center (ITIC), the Economist Intelligence Unit (EIU) and KPMG to establish their perspective in respected fora.⁹ Especially with respect to tobacco taxation, there is some evidence that this has been successful – not only has the number of

countries that have implemented tobacco tax policy that follows the WHO best practices remained below 20%, it has actually fallen since 2014 (Snyckers, 2020, 91).

Critically for the purpose of this volume, these tactics have affected not only public discourse and policy-making on cigarette smuggling, but also the academic and scientific literature on the topic. In rarer cases, this has been through the direct funding of academic studies, such as PMI's funding of research at the Università Cattolica del Sacro Cuore in Milan and the University of Trento (Fooks, Peeters and Evans-Reeves, 2014). Likely more influential has been the funding of 'grey literature,' as well as in particular indices and data sources to drive discourse and be picked up by scholars. However, this has likely shaped the academic work on tobacco smuggling in more complex ways than might have been anticipated. Despite, and arguably in response to, industry influence, the academic community working on tobacco smuggling has developed research centres and initiatives focused in particular on the tactics of the tobacco industry (such as the Tobacco Control project at the University of Bath), on fact-checking its various studies, and consequently refining methodological approaches to studying cigarette smuggling. It has fostered extreme awareness of the ethics of research funding streams across a group of researchers, who, over the past two decades in particular, have produced one of the most well-developed literatures on the intersections between a legal industry and illegal trade. As the final section notes, this has provided critical contributions for our understanding of smuggling more widely.

Conclusion: lessons from cigarette smuggling

This chapter has noted that despite a frequent focus on prices and taxation, the drivers of cigarette smuggling globally are both highly diverse and tied into local politics and the wider infrastructure of globalised trade. Furthermore, it has discussed the role that the tobacco industry has had in influencing smuggling, anti-smuggling policy and even academic discussions on the issue. While cigarette smuggling has some dynamics that are particular to it, it also shares a variety of features with the smuggling of other goods, including some discussed in this volume. Parallels are particularly notable to the smuggling of other licit goods with internationalised industries, such as oil, and other goods with adverse health effects, such as alcohol, but not limited to these. Consequently, both from the discussions outlined here and the wider recent academic literature on cigarette smuggling emerge important contributions to our understanding of smuggling more widely. This chapter concludes by highlighting three particularly salient lessons.

First, recent work on cigarette smuggling has highlighted that while much scholarship on smuggling, and particularly the smuggling of licit goods, has traditionally taken a cost-benefit-focused view on what drives smuggling and smugglers, a wider view at diverse drivers, actors and their interactions are necessary. This not only includes a broader analysis of both the local and transnational politics in which smuggling is embedded but also an unpacking of more simplistic assumptions around the role and logic of 'corruption' in illegal trade. With this have come clear implications for policy. Strategies that solely consider limiting smuggling through 'making it more expensive' or bumping up customs enforcement, are likely both to over-estimate the role of prices themselves and under-estimate more complex cost-driven dynamics, such as costlier routes leading to the consolidation of monopolistic smuggling structures. Lessons from successful attempts to limit cigarette smuggling include the importance of both multi-pronged approaches and a consideration of the role of the legal industry (Ross, 2015). This connects directly to the following point.

Second, recent work on cigarette smuggling provides outstanding case studies on the intersection between illegal trade and legal, highly capitalised global industries. They not only highlight this as a key area of study that is critically under-researched in the context of a range of other goods but also provide a range of tools that can be applied more broadly. These include methodological innovations and insights into an industry playbook of schemes and strategies that are unlikely to be limited to tobacco. In addition, they provide a reminder of the critical importance of ethics, transparency, and industry-independent funding in scholarship on smuggling today. This leads to a final point.

Third, research on cigarette smuggling teaches a critical lesson on the importance for a field of study to examine its own histories, motivations, funding streams and, fundamentally, biases. This issue has been heightened in this area due to the aggressive attempts by the tobacco industry to influence the knowledge industry on cigarette smuggling and taxation, but this does not imply that it is entirely absent in research on the smuggling of other goods, although it may take different forms. Crucially, biases in a field may not only be introduced through outside intervention or funding streams but through political interests, methodological and geographical blind-spots or the dominance of research agendas set in the ‘global north.’ Solutions to this lie not just in rigorous research and funding ethics but also the critical self-examination of a field of study and the communication among different disciplines, methodologies, and areas of scholarship. This is a project to which both this chapter and this volume as a whole have sought to contribute.

Notes

- 1 For a more extensive discussion of ‘cheap white’ cigarettes, see Ross et al. (2016).
- 2 This metric is calculated by analysing the number of customs seizure cases. This does not account for the quantity or price of the individual seizure, and is necessarily biased by the intensity of enforcement.
- 3 While this section focuses on price and tax, a parallel set of discussions to the ones examined here exists for quantity restrictions on cigarette trade and other regulatory instruments such as warning labels.
- 4 I will discuss the role of relative price differences within regions below, but it is worth noting that a focus on neighbouring countries risks understating the role of shipping and trade corridors between regions.
- 5 For a more qualitative approach, see for example Titeca, Joossens and Raw (2011).
- 6 Notably, this index has been created with the involvement of tobacco industry funding. I will return to this point below.
- 7 Excise stamps are a form of stamp attached to excisable goods, such as cigarette packets, in order to indicate that the excise tax has been paid by the manufacturer.
- 8 Namely the Chinese National Tobacco Corporation (CNTC), Phillip Morris International (PMI), British American Tobacco (BAT), Japan Tobacco Inc (JT), and Imperial Tobacco Group. Source: Euromonitor (2014).
- 9 The website <https://tobaccotactics.org/>, hosted by the University of Bath, is not merely an invaluable resource on tobacco industry tactics but also contains updated lists of organisations that have received funding from the tobacco industry.

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