

Many countries have successfully increased tobacco taxes without illicit trade increasing (CTFK, 2019).

Strong enforcement and an independent track and trace system are the most effective ways to combat illicit trade (World Bank, 2019).

Market Share

The estimated percentage of illicit tobacco trade in South Africa in 2021 was 54% (Vellios, 2022).

Early 2000s: Illicit trade in cigarettes was estimated at below 10% of South Africa's total cigarette market.

2005-2009: SARS mobilised specialised enforcement units to shut down a number of illicit tobacco manufacturers (Vellios et al., 2020).

2010-2016: Illicit trade rose sharply due to the entry of smaller local producers and weakening enforcement.

2017: Illicit tobacco consumption was estimated to be between 30-35% nationally (Vellios et al., 2020).

2021: Illicit tobacco consumption rose to 54%.

Types

Illicit Products: Contraband, counterfeit, cheap whites, loose tobacco.

Illicit Production: Production at illegal facilities, production at legal facilities (under-declaring & ghost exports).

Illicit Trade: Smuggling, bootlegging, in-transit.

Tobacco Industry Influence in Africa

Internal tobacco industry documents from British American Tobacco revealed that, since the 1980s, the company has been involved in smuggling in at least 40 of the 54 African countries (LeGresley et al., 2008).

Tactic: Tobacco companies enter into voluntary partnerships with law enforcement and customs agencies through memoranda of understanding (MoU) to prevent policy measures designed to stop the supply side of illicit tobacco trade and pre-empt more restrictive government regulations concerning illicit trade (Crosbie et al., 2019).

Approaches for Combatting Illicit Trade

1. Implement a Track and Trace System.
2. Regularly monitor illicit trade.
3. Investigate and enforce criminal and civil laws.

Myths and Facts

Myth: An increase in taxes leads to an increase in illicit trade.

Fact: Research shows increasing tobacco taxes doesn't necessarily increase illicit trade (van Walbeek, 2020).

Myth: Illicit cigarettes are only manufactured by local South African companies.

Fact: Both local and international companies contribute to the illicit tobacco trade (LeGresley et al., 2008).

Myth: Illicit trade occurs primarily in the townships of South Africa.

Fact: Buyers of illicit tobacco products can be found throughout the country (van der Zee, 2020).

Myth: The tobacco industry provides reliable data.

Fact: The tobacco industry consistently produces unreliable data (Gallagher et al., 2019).

Success Stories in Combatting Illicit Trade

Kenya's Track and Trace System increased excise tax revenue (Ross, 2017).

Georgia decreased the size of the illicit tobacco market (while increasing taxes) (World Bank, 2020).

Romania improved tobacco-control enforcement and reduced illicit trade (Ross, 2015).

Brazil brought down illicit cigarette consumption through a combination of legislation and technology (Ross, 2015).