

Why Big Tobacco wants everyone to believe S'pore's illicit market is rampant

It is a ploy to deter governments from raising taxes and gain legal access for products that are currently banned.

Yvette van der Eijk

Everyone seems to be well aware of Singapore's illicit market for vaping and tobacco products.

The number of people caught vaping each year has risen from 1,266 in 2020 to 4,916 in 2022.

A recent news article also reported an increase in the number of illicit cigarette trade offences, from 4,963 in 2021 to 6,300 in the first half of 2023.

What this article didn't mention, however, is that these numbers were far higher in the years before the Covid-19 pandemic: 21,132 in 2018 and 19,266 in 2019. Then in 2020, when Singapore entered the circuit breaker to curb the spread of Covid-19, the number dropped to just 6,690.

So the "increase" in illicit cigarette trade we are currently experiencing is more a rebound due to the post-pandemic reopening of borders.

The illicit cigarette market in Singapore is actually quite small at less than 4 per cent of the total cigarette market, and has shrunk over the years as illicit trade controls have improved.

The vape market is also quite small. While 4,916 people caught vaping sounds like a lot, and it certainly is more than before, in a city of around six million inhabitants it comprises only 0.08 per cent of the total population.

So why is there a common perception that the illicit market for cigarettes and vaping are "rampant" in Singapore?

INFLATED ESTIMATES

Most estimates of illicit cigarette trade are inflated.

Estimates of illicit cigarette trade are difficult to find. Most research in this area is funded by the tobacco industry, which commissions the International Tax and Investment Centre (ITIC), Oxford Economics, KPMG and other such organisations to produce reports on its behalf.

These reports, however, tend to grossly overestimate the size of illicit markets, and their methods have been widely criticised. Industry-independent academic studies, with more rigorous and transparent methods, came up with far smaller estimates.

For instance, in a report for the tobacco company Philip Morris International, ITIC estimated the illicit cigarette market in Hong Kong at 36 per cent of the total cigarette market, whereas in reality it was closer to 12 per cent.

Studies from a number of other countries in Asia, Europe and Latin America also found that, compared with properly designed academic studies, tobacco industry-funded reports had massively overestimated the sizes of illicit cigarette markets.

Tobacco companies then use these inflated figures to deter governments from raising tobacco taxes by arguing that taxes are the reason illicit trade occurs.

DO TOBACCO TAXES CAUSE ILLEGAL CIGARETTE TRADE?

Taxes are very effective at deterring smoking, and the tobacco industry knows this. In fact, in their own internal documents, tobacco companies described tobacco taxes in Singapore as "a threat to the profitability of the industry" and had developed elaborate strategies to undermine them. One of these included arguing



Campaign materials which aim to raise awareness on the health risks of vaping displayed at MacPherson Community Centre. Vape sellers are aggressively targeting Singaporeans, especially the youth, on social media. ST PHOTO: JASON QUAH

that taxes cause illicit trade.

In reality, illicit cigarette trade is linked to the extent of corruption and criminality, not to the levels of tobacco tax.

This explains why in Singapore, which has low levels of corruption and criminality, illicit cigarette trade has decreased over the years and remained low even as taxes and other tobacco measures have become more stringent.

Tobacco companies also pretend that they want to eliminate illicit trade. British American Tobacco (BAT), for instance, claims on its website that "combating illicit trade is a priority to safeguard our combustibles business".

What this website fails to mention is that BAT has benefited substantially from illicit trade, and was complicit in cigarette

smuggling operations in Asia until at least 2019.

TOBACCO INDUSTRY COMPLICIT IN ILLEGAL TRADE

Internal tobacco industry documents describe BAT's efforts to get access to the Vietnamese market in the 1990s, when Vietnam had an import ban on cigarettes. This proved tricky as Vinataba, Vietnam's state-owned tobacco industry, had a monopoly over the Vietnamese tobacco market.

BAT got around that by coordinating illegal smuggling operations from its manufacturing facilities in Cambodia into Vietnam, to create demand for its brands. This enabled BAT to gain an upper hand in negotiations for a joint venture with Vinataba.

After BAT gained access to Vietnam, BAT controlled the prices of locally produced and smuggled cigarettes to aid the transition from illicit trade to legal sales.

Documents also detail how BAT smuggled its brands into other South-east Asian countries through its Singapore-based distribution partner, Singapura United Tobacco.

BAT used legal trade flows as cover for its illegal trade, with "partial duty-paid" products and "duty-free" leakage. In their documents, they used code words such as "general trade" or "GT" to refer to smuggled cigarettes.

More recently, in April, BAT paid penalties of over US\$600 million (S\$806 million) for illegally selling tobacco to North Korea through its Singapore-based subsidiary, BAT

Marketing Singapore. Payments from North Korea went through shell companies to a Singapore-based third party so that their connection to North Korea could be hidden.

So much for BAT combating illicit trade to safeguard its combustibles business.

DON'T REPEAT HISTORY WITH THE VAPING ISSUE

There is an interesting parallel between the history with illicit cigarette trade and the illegal vaping issue, which has started to take root in Singapore.

It is clear that, despite Singapore's strict vaping ban, vape sellers are aggressively targeting Singaporeans, especially the youth, on social media platforms such as TikTok and Telegram with their vaping products.

Youth are then regularly exposed to content that glamorises vaping and makes it appear more "normal" than it in fact is.

They might be misled into thinking everyone vapes, even if it is mostly overseas content or just a small segment of the Singapore population.

At the same time, there is strong industry pressure to legalise vaping, both locally and overseas. In Singapore, there seems to be a growing sentiment that "if we have an illicit market we might as well legalise it" so that vaping can be better regulated.

But in countries such as New Zealand, where vaping is legal but regulated, almost one in five teens aged 14 or 15 years old vapes regularly.

With a legal market, Singapore would have a far worse problem. Imagine how many more teens would be vaping if vapes were displayed in every mamak shop near a school, and if people were vaping freely in the streets.

Just like in Vietnam and in many other countries where the tobacco transnationals have pried open markets, smoking rates have skyrocketed, with devastating impacts on public health.

Let's hold our ground and not repeat the same mistake here in Singapore.

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