

The Illicit Trade of Tobacco Products in Bangladesh & Recommended Constraining Measures: A Policy Brief

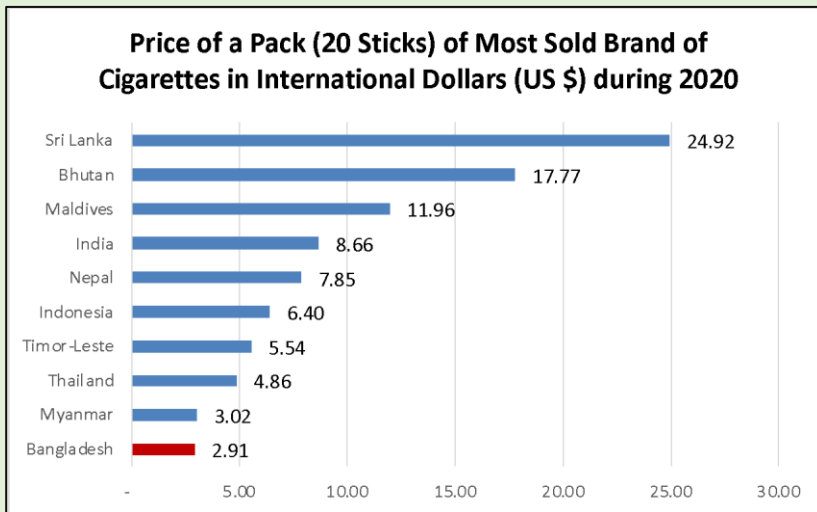
It is a well-known fact that the trade of tobacco and tobacco products has some very harmful effects and poses a great threat to our environment and public health. On top of that, the unethical practice of illicit trade of these products increases that threat manifold. The illicit trade in tobacco makes cigarettes/bidis more affordable, which turns them into a cheap and readily available product for consumers, especially young and low-income people, and encourages them to consume more tobacco. According to experts, the illicit tobacco trade reduces the effectiveness of the tobacco tax measures, increases the availability of low-cost cigarettes, which leads to increased tobacco use and death, and causes huge revenue losses to the government.¹ Therefore, regulating the illicit tobacco trade is an essential part of a well-thought-out tobacco control policy.

Bangladeshi tobacco companies have long claimed that raising taxes on cigarettes would increase the illicit trade in tobacco products in the country as customers will lean towards buying illegal products rather than smoking less or quitting. However, this claim has no basis in reality. Evidence from various studies suggests that the illicit cigarette market is relatively larger in countries with low taxes and prices while relatively smaller in countries with higher cigarette taxes and prices.² According to a report published by the World Bank, in comparison to global rates of almost 10%-12%, Bangladesh has a low estimated illicit cigarette trade incidence of only 2%. The report also mentioned that the amount of illicit trade in the country was significantly lower due to strict measures to control smuggling and the use of tax stamps and banderoles on the packaging of tobacco products.³

Additionally, research organization ARK Foundation recently conducted an extensive and robust survey to determine the extent of the illicit trade in cigarettes in the Bangladeshi market and its nature and characteristics. The survey collected data from a total of 40 rural and 40 urban areas from all the 8 divisions of the country. Considering both foreign illegal products and as well as local products with illegal practices, the study found the share of illicit cigarettes in the market to be only 5.4%.⁴ Also, no considerable difference in the magnitude of illicit trade in urban and rural areas was found. Researchers found that most of the illegal practices in the domestic cigarette market are linked to the “illegitimate practice” related to tax stamps and banderoles.

The findings of both national and international studies show that the level of the illicit tobacco trade in Bangladesh, especially in cigarettes, is not that alarming. Although the trend of tax evasion in the case of bidi and smokeless tobacco is high due to lack of necessary monitoring and prevalence of unregistered and illegally operated factories, it is by no means equivalent to the level of illicit trade predicted by the tobacco companies. At the same time, tobacco companies

have long opposed the tax hike of tobacco products, saying that higher tax rates would increase the smuggling of foreign cigarettes into the country. According to them, the illegal supply of foreign tobacco products to the domestic market from neighboring countries via border areas will increase, resulting in a significant revenue loss for the government. However, this claim is not very reasonable. Because when the price of cigarettes in Bangladesh is compared to the price of cigarettes in other Asian countries, particularly neighboring countries, it is clear that the price of cigarettes in Bangladesh is significantly lower. World Health Organization's report on the global tobacco epidemic also corroborates this information.⁵ This difference in price can be more clearly understood from the following graph.



When the price of cigarettes in the domestic market is already so low, there is no point in smuggling high-priced cigarettes from other countries. Because no rational consumer would opt to buy higher-priced cigarettes when the cheaper alternative of the same quality is available in the market. Therefore, the

claim made by those involved in the tobacco industry about the threat of increasing illicit trade in response to the tobacco tax hike is not very credible.

Although various studies have shown that the rate of illicit trade in Bangladesh is not alarming, it is possible to further reduce the level of illicit trade to negligible levels by introducing and implementing an effective "tracking and tracing system". Though it is the first country to sign the FCTC, the principal international treaty on tobacco control, Bangladesh has yet not signed or ratified the protocol to eliminate illicit trade in tobacco products. **The following policy recommendation can be adopted to prevent the illicit trade in tobacco products:**

- Necessary steps should be taken to follow through with the protocol to Eliminate Illicit Trade in Tobacco Products developed by WHO.
- Required measures should be taken to prevent the use of fake banderoles and the reuse of old banderoles.
- Speedy and exemplary punishment in accordance with existing laws against those involved in illicit trade should be ensured.

- At the same time, the following information should be integrated through technology in the tobacco product packages:
 - i) Date and location of manufacture
 - ii) Details of the manufacturing facility
 - iii) Details about the machine used to manufacture the tobacco product
 - iv) Production shift or time of manufacture
 - v) Details of the name, list, order number, and payment record of the first customer who is not affiliated with the manufacturer in any way.
 - vi) Potential market for retail sale
 - vii) Proper description of the product
 - viii) Details of warehouse and shipping

References:

1. Abdullah, S. M., Huque, R., Bauld, L., Ross, H., Gilmore, A., John, R. M., . . . Siddiqi, K. (2020). Estimating the Magnitude of Illicit Cigarette Trade in Bangladesh: Protocol for a Mixed-Methods Study. *International Journal of Environmental Research and Public Health*.
2. World Bank. (2019). *Confronting Illicit Tobacco Trade: A Global Review of Country Experiences*. World Bank Group Global Tobacco Control Program.
3. Ibid
4. Illicit Trade Research Presentation (Link to be added)
5. WHO Report on the Global Tobacco Epidemic, 2021