



OBSERVATÓRIO SOBRE AS ESTRATÉGIAS DA INDÚSTRIA DO TABACO

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Editorial

COMBATING ILLICIT TRADE IN CIGARETTES: NO MARGIN FOR ERROR

Smuggling of tobacco products is a global problem and aggravates the global tobacco epidemic, as marketing of these products does not respect regulatory rules. They are sold without health warnings and, because of low prices, are accessible to young people and people of low income.

Due to the adoption of measures to reduce demand and consumption, as recommended by the Framework Convention on Tobacco Control (WHO FCTC), which have been implemented in Brazil since 2005, there is a marked decline in the prevalence of smokers: 55, 7% among men and 58.7% among women.

To counter smuggling of tobacco products, we are facing problems of difficult solution, such as the surveillance of large borders, considering the fact that we are surrounded by economically motivated countries to supply our urban centers with low cost products, besides the necessity to adopt the Protocol for the Elimination of Illicit Trade in Tobacco Products, which is awaiting decision by the National Congress and will undoubtedly be an important tool to curb the commercialization of such products.



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In addition to the ratification of the protocol, there is a need to maintain the strategic, consistent and periodic work of the Federal Police, together with the Federal Revenue Service. As a result, in between 2010 and 2016, there was a 66% increase in the number of seizures cigarettes. There is no margin for error. After such intense efforts by national and international public and private bodies to implement the WHO FCTC, we must take this step further to continue to reduce this epidemic that overwhelms those that are most vulnerable.

In this issue of the Observatory on Tobacco Industry Strategies Bulletin, we detail who is interested in the illicit cigarette trade, denounce the funding of parties and politicians as an industry strategy to maintain their interests, as well as remember the theme of World no Tobacco Day 2017. Read also the Radar section and stay on top of the events and actions that guide tobacco control.

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Entrevista

“BRAZIL IS THE MAIN SUPPLIER OF THE PARAGUAYAN CIGARETTE PRODUCTION COMPLEX”



Foto: Virginia Damas

Consultant to the World Health Organization (WHO), to the World Bank and with a PhD in economics from the University of Oxford, Roberto Magno Iglesias confronts the tobacco industry's discourse when it comes to the illegal tobacco market. In the specialist's opinion,

"illicit trade integrates one of several strategies to compromise control actions and increase taxes."

In an interview with the Bulletin of the **Observatory on Strategies of the Tobacco Industry**, Iglesias unmasks the victimization of companies and recalls that illegal trade had great incentive from the industry itself in the 1990s and affirms that Brazil is the main supplier in the Paraguayan cigarette production complex. Please see below.

According to information from the tobacco industry, about 30% of the cigarette market in Brazil is occupied by products originating from the illicit market, especially from Paraguay. The WHO report, however, demonstrates evidence of the active involvement of companies in promoting illegal trade in most economies, whether it is to promote brands, to increase market share or to open up closed markets. How do you assess this situation?

Roberto Iglesias: The existence of Paraguayan cigarettes in the Brazilian market was initiated by a triangulation (Brazil - Paraguay - Brazil) of Brazilian companies in the 1990s, which exported the product to Paraguay in amounts up to ten times larger than the size of the consumer market of that country. This product then returned illegally to the national territory via an illegal distribution network.

Later (1999), Brazilian authorities tried to prevent this process and imposed a 150% tax on cigarette exports to Latin American countries, which ended the financial incentive for companies to promote such a triangulation. However, the potential of demand remained in the Brazilian territory, as well as an articulated network of illegal distribution.

Paraguay's president, who is the owner of the largest cigarette factory in his country and whose main market is Brazil, has already stated the fact that the industry itself has created this distribution network. Now it is necessary to question the discourse of companies when it comes to the illicit market. When we look at the arguments used to oppose public control policies, we can see an anti-tax bias. They

argue that raising tobacco taxes alone increases smuggling, which we know are justifications to curb tax raises in Brazil and hides the need to improve other policies to reduce the problem.

The industry, which often plays the victim, claims that Paraguayan cigarettes practically do not carry Brazilian tobacco, that the quality of the product is doubtful and that, certainly, it is harmful to health. Is there truth in this speech?

Roberto Iglesias: There is, in most cases, no greater danger than that of smoking a cigarette; Whether it is sold legally or illegally. There are claims of other dangerous substances, but they are present in any other cigarette. However, it is worth mentioning that cigarettes are very regulated products in Brazil. We have warning images, high taxes, a current legislation, that is, a protection/care system that does not exist for smuggled cigarettes. Imports, be them from Paraguay or any other place, must obey the rules and norms in force in the country in order to be commercialized.

However, I would like to draw attention to one aspect: Brazilian tobacco companies supply the Paraguayan market. Between 2009 and 2012, Brazil provided more than 50% of the amount of tobacco leaves used by Paraguay. Although the share of the supply has dropped to 45% in recent years, the country also supplies inputs for manufacturing, such as 50% of the paper used in the production of Paraguayan cigarette packs, about 67% of the aluminum foil that goes inside the pack and almost 50% of the material used for the filter.

We may conclude, therefore, that Brazil is the main supplier within the productive complex of the Paraguayan cigarette. There is a contradiction in the industry's discourse, as well as in business organizations against smuggling, but this issue should be discussed within the Brazilian Executive Branch and within the Mercosur bloc. Paraguay has an obligation to formalize this production. But everyone is afraid to touch on this issue, because in the past, big companies used Paraguay as an illegal export platform for the bloc's own countries. Governments have difficulty, or are moved to geopolitical interests not to touch on this issue. It is a delicate topic, since the production of this cigarette is legal in Paraguay.

As we already mentioned, companies claim that high taxes increase tobacco smuggling. Can you please explain why taxation is an effective control strategy?

Roberto Iglesias: Taxation reduces the number of smokers, it makes people reduce the amount of cigarettes they smoke and inhibits the entry of new smokers in the market, but it is necessary to control the illegal market. In recent years in Brazil, although we have observed a reduction in the prevalence of smokers, of legal and total consumption, the illegal market is growing. Part of the population uses illegal cigarettes instead of abandoning them. The share of the illegal market has increased at the same time as total consumption and smoking prevalence has declined. The solution is to put Paraguay in formality.

How do you see the work of Observatories that work in monitoring the strategies of the industry?

Roberto Iglesias: It is extremely important to follow the strategies of the industry, since, with each action of health agencies, companies act in a way to inhibit the control of smoking. Initiatives such as the Cetab Observatory must grow, as the industry is tireless, it has the financial and human resources to work during the 7 days of the week, in the 30 days of the month. It is extremely important to identify, track and describe the strategies of the tobacco industry.

It is of no use to regulate and collect taxes of 70% of the market and "exempt" the other 30%. The industry reinforces the discourse that tax reduction is the way out to contain smuggling.

Until recently, despite the work of the Internal Revenue Service and of the Ministry of Justice, we never talked about sitting with the Paraguayan government and trying to solve this problem - which would be a basic thing to do. It should be emphasized that this is the position of civil society, it is also my position, but it has great difficulty in finding an echo within the government. The Internal Revenue Service agrees that talking to Paraguay is the solution, to warn them not to continue with this type of trade, but there is great resistance in the Itamaraty (the Brazilian Ministry of Foreign Affairs), which does not understand it in this way. But the Brazil must think of a different strategy, because border control is not enough, especially when you have a land border of with these characteristics and extension.

Available at:

http://apps.who.int/iris/bitstream/10665/170994/1/WHO_NMH_PND_15.3_eng.pdf?ua=1&ua=1

WORLD NO TOBACCO DAY 2017: AN ALERT FOR DAMAGE TO DEVELOPMENT CAUSED BY TOBACCO PRODUCTION



On World No Tobacco Day 2017, celebrated on May 31, the World Health Organization adopted the theme *Tobacco: a threat to development*. This choice was a plea for countries to implement the measures recommended by the Framework Convention on Tobacco Control (WHO FCTC) that are in line with the 2030 Agenda for

Sustainable Development, i.e., is a set of programs, actions and guidelines that will help guide the work of the United Nations and its member countries towards sustainable development. This Agenda includes measures to support member states and civil society in addressing tobacco industry interference in policy processes aimed at reducing tobacco use; encourage the participation of partners and the population in national, regional and global efforts to develop and implement plans and strategies that prioritize tobacco control actions; and demonstrate how individuals can contribute to a sustainable, tobacco-free world by committing themselves to never using tobacco products or to quit smoking.

HEALTH AND THE ECONOMIC COSTS

In Brazil, May 31 highlighted the importance of banning all types of marketing and advertising related to tobacco consumption, adopting simple standardized packaging for tobacco products and increasing taxes, a measure established in the Article 6 of the WHO FCTC, which is considered to be fundamental in reducing smoking, especially among young people. At the time, the Report on Smoking Costs in Brazil was launched, prepared by the IECS in partnership with researchers from Fiocruz, whose survey showed that more than 59 billion reais are spent per year in the treatment of tobacco associated diseases and that 12.6% of all deaths in Brazil can be attributed to smoking.

(Source: www.iecs.org.br/tabaco)

To put on the 2018 agenda: annually, in the month of July, Cetab / ENSP offers the Course of Tobacco Control Policies. More information at: <http://ensino.ensp.fiocruz.br/processo-seletivo>.

The Observatory was the theme of the 52nd CONICQ meeting, which took place in PAHO (Brasilia).

17th World Conference on Tobacco or Health (WCTOH), will take place March 7-9, 2018 in Cape Town, South Africa. Visit the website: <http://wctoh.org/>

Read also the "Highlights of the Observatory" insert, produced with information collected at the Observatory on Strategies of the Tobacco Industry. Available at: <http://observatoriotabaco.ensp.fiocruz.br/>.

The 48th Union World Conference on Lung Health will take place from October 11 to 14, 2017, in the city of Guadalajara (Mexico). Visit the site: <http://guadalajara.worldlunghealth.org/>

The Forum Program, of the Justice TV program, highlighted Brazilian actions of tobacco control. Danielle Barata, consultant of the Center for Tobacco and Health Studies (Cetab), was one of the interviewees. Visit the website: <https://www.youtube.com/watch?v=0Dg8P2da2U0>

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