

Tobacco agreements: Fighting illicit tobacco trade

To fight illicit trade in tobacco products, the European Union and its Member States currently have agreements with the four largest tobacco manufacturers. The European Commission has now proposed that the EU join a new international agreement in this field. The topic is due to be discussed with the Commission during the May I plenary session.

Tobacco fraud: an economic and public-health burden for the EU

Illicit trade in tobacco products, in particular smuggling of contraband and counterfeit cigarettes, causes the EU and its Member States losses in revenue (in terms of customs, VAT and excise duties) of more than [€10 billion](#) a year. Tobacco smuggling is a [serious crime](#) that [contributes](#) to the funding of other international organised criminal activities, including human, drugs and arms trafficking, and terrorism.

Tobacco fraud is also a public-health concern. Firstly, it poses an even [greater health risk](#) than genuine cigarettes: since counterfeit cigarettes are illegally manufactured and imported, the ingredients used are not known. They may contain higher levels of tar, nicotine and carbon monoxide, as well as contaminants such as sand and other packaging materials, including plastic. Secondly, it undermines anti-smoking policies, thereby fuelling the tobacco epidemic: it increases access to (often cheaper) tobacco products, especially for young people and low-income groups. Young people, in particular, are thus enticed into experimenting with tobacco. Illicit tobacco products may also mislead young smokers by not displaying health warnings.

The importance of fighting illicit tobacco trade is also showcased by this year's 'World No Tobacco Day', called by the World Health Organization (WHO), on 31 May 2015. Running under the [motto](#) 'Stop illicit trade of tobacco products', it aims at raising awareness of the harm this practice causes to people's health.

Anti-fraud agreements with tobacco manufacturers

To address the problem of contraband and counterfeit cigarettes, the EU and its Member States (except Sweden for the BAT and ITL agreements) have signed legally binding [agreements](#) with Philip Morris International (PMI) (2004), Japan Tobacco International (JTI) (2007), British American Tobacco (BAT) (2010) and Imperial Tobacco Limited (ITL) (2010). Through these agreements, the companies have committed to paying a collective total of US\$2.15 billion to the EU and the signatory states to combat the illegal trade in cigarettes. The measures include:

- supplying only the quantities required by the legitimate market;
- ensuring the companies sell to legitimate wholesalers and retailers only;
- introducing a tracking system to facilitate law enforcement efforts.

The agreement with PMI is [due to expire](#) in July 2016. According to its provisions, the parties are required to meet two years before that date to explore a possible extension. Such a [meeting](#) took place on 9 July 2014.

Parliament asked the Commission, in its [discharge resolution](#) on the 2012 budget (point 297), to assess the implementation of the four agreements, which it had committed to doing by May 2015.

The Commission is now being asked to present its position on tobacco agreements, and in particular whether it intends to renew them, as well as to give an indication of the state of play in negotiations.

International agreement on tobacco trade

Separately, on 4 May 2015, the European Commission adopted two related proposals for Council Decisions for the conclusion, on behalf of the EU, of the [Protocol](#) to Eliminate Illicit Trade in Tobacco Products, the first protocol to the WHO Framework Convention on Tobacco Control ([FCTC](#)). This conclusion will require Parliament's consent in due course.