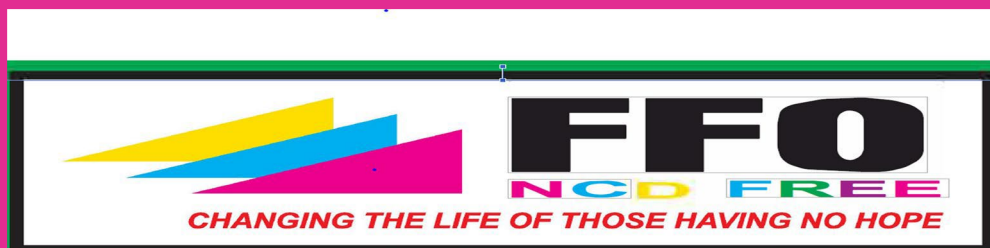


# TAXES; REAL MEANS FOR REDUCING TOBACCO CONSUMPTIONS.

Market based research study report on  
Illicit trade of Cigarettes in Lahore &  
Peshawar Pakistan.



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## ABSTRACT

*Tobacco use creates a substantial economic burden on the population at large. Higher direct health costs linked with tobacco-related disease and higher indirect costs related to premature loss of life. The survey's significant finding reveals that the prevalence of illicit cigarette use is 15.66% in this provincial capital, which is significantly below the much-propagated figure of 37.6% by the tobacco industry.*

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# Illicit Tobacco Trade not exacerbated by tobacco tax increases in low- &middle-countries.

Priscilla Tiigah and Erika Dayle Siu

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Blog Tobacco Control October 2020



## Acknowledgment

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# “Taxes; real means for reducing tobacco consumptions.”

## Executive Summary

Tobacco use creates a substantial economic burden on the population at large. Higher direct health costs linked with tobacco-related disease and higher indirect costs related to premature loss of life, disability due to tobacco-related illness, and productivity losses create significant negative externalities of tobacco use. It is, therefore, an established reality that "increases in tobacco taxes decrease tobacco use." Indeed, raising taxes on tobacco is one of the most effective ways to reduce tobacco use. As reinforced by FCTC that "*Effective tobacco taxes not only reduce these externalities through reduced consumption and prevalence but also contribute to the reduction of governments' expenditures for the health care costs associated with tobacco consumption.*" The Framework Convention of Tobacco Control (FCTC) proposes that member parties implement policy measures to reduce both the demand for and supply of tobacco products. These recommendations are based on technical testimony, best practice, and the understanding of countries that have efficiently implemented tobacco control policies in ways that have improved their people's health. Article 6 of the FCTC obligates member countries to adopt tax and price policies to reduce tobacco use. Prices affect virtually all commodities, including measures of cigarette use. This also influences per-capita consumption, smoking rates, and the number of cigarettes smoked daily. Regarding taxes, reforms, and tax structure on cigarettes are a concern, and there has been significant progress in Pakistan. But the decision for the creation of 3<sup>rd</sup> tier and 50% reduction of taxes in 2016-17 leads to substantial loss of progress of tobacco control and significant loss of exchequer. A report from Social Policy & Development Center (SPDC) in 2018<sup>1</sup> pinpointed that "***The three-tier tax structure resulted in a reduction of average federal excise duty across all tiers by nearly 12%: from***

**53.1% in 2016-2017 to 41.4 % in 2017-18. In the lowest-priced tier, the tax rate** dropped by 48%. **The estimated loss of tax revenue due to the Introduction of the three-tier FED structure (along with a reduction in the tax rate) is Rs. 42.5 billion in 2017-18.** Thus, this tax policy change led to a significant increase in the consumption of cigarettes and resulted in substantial revenue loss, equal to over 50 percent of the revenue collected in the previous year. This report further reveals eye-opener that **"The tobacco industry makes a minimal contribution to the Pakistani economy."** Despite being one of the largest tobacco growing countries, unmanufactured tobacco production accounts for less than half percent (0.42) of the total value of agricultural produce, 0.25% of the total area under cultivation, and only 0.03% agricultural employment (8,200 persons). Similarly, the cigarette industry's share is 1.1% in large-scale manufacturing and less than a half percent (only 0.3%) in industrial employment.

After long and exhausting efforts from the Ministry of National Health Services, print, and electronic and social media, civil society organizations working on tobacco control, the Government of Pakistan withdrew its decision in 2019-20. The government made taxation reforms by removing the second tier of tobacco taxation with some increase in taxes. However, Pakistan still lags far behind the minimum benchmark set by the WHO.

On the other hand, Tobacco Industry keeps on arguing and lobbying that the high taxation on tobacco products makes them expensive, so smokers are tempted to buy smuggled, counterfeit and non- custom paid cigarettes, and it increases the rate of illicit trade of cigarettes. Tobacco Industry claims the share of the illegal trade of cigarettes in Pakistan reached 37.6% in 2020. It is significant to mention that TI efforts and lobbying usually increase the near-annual budget due to the fear of imposition of higher taxes in compliance with the provisions of the World Health Organization's (WHO's).

Zohaib Khan et al. <sup>2</sup> "Big Tobacco's Predictable Pre-Budget Tantrums in Pakistan" accepted for publication in October 2020 in **Nicotine and Tobacco Research**, "Phillips Morris International (PMI) is currently funding a media campaign in Pakistan: #AwazUthaoMulkBachao #44Billion4Pakistan, asking the public to sign a pledge to save 44 Billion Pakistani Rupees (PKR) supposedly lost to illicit tobacco trade every year. Clips from the campaign have been shown on television channels, a dedicated YouTube channel, and shared on Facebook and Twitter. This campaign continues a pattern of increased tobacco industry (TI) media activity in the lead up to annual budget debates in the National Assembly of Pakistan, 5-8, with an ulterior motive to undermine tax increases on tobacco

*products in the annual budget by influencing the public narrative and pressurizing policymakers.*

To combat the cigarette's illicit trade, transparent public data on illegal trade was not available in Pakistan before 2017. All the data available was Tobacco Industry-sponsored, twisted, and overblown.

Therefore, quantifying the burden of illicit trade in the country was imperative for the sake of legislation, policymaking, and enforcement of laws & to counter the false arguments of the Tobacco Industry (TI) against any policy or decision.

To fill this gap, FFO conducted a household study in 2018-19 (first of its kind across the region) in Islamabad's rural and urban settings. To get more inside of the illicit trade of cigarettes, FFO in 2019-20 conducted a market-based study in the urban and rural markets of two provincial capitals of Pakistan, i.e., Lahore and Peshawar. This report looks to assess the share of illicit trade of cigarettes in Lahore and Peshawar and to gather evidence-based data for tobacco taxation reform as well as to assess the enforcement of tobacco control measures.

For estimating the real burden of illicit trade of cigarettes, a combined method of consumer survey and cigarette pack observation was used. The survey was executed in two stages at 20 markets (10 urban + 10 rural) of Lahore and Peshawar. In total, 2005 smokers were approached and interviewed for the purpose.

The key finding of the study reveals that only 15.66% of the cigarettes brands consumed in Lahore and Peshawar failed to comply with the six-factor criteria; related to pictorial health warnings, textual health warning, low price/tax evasion, age warning, manufacturer details, and printing of retail price and thus classified as illicit. The study also reveals that 5.93% of smokers were using smuggled cigarette brands, whereas 9.72% of smokers used low price/ tax evaded cigarette brands. These (9.72%) cigarette packs meet all the criteria of legitimate brands but sell at low cost (PKR 25-50), making them illicit, i.e., Duty Not Paid. (the government has mandated a minimum price of Rs. 63 a pack).

The survey results further established that smoking is inversely related to academic qualification and price and validates FFO's earlier report on the same issue. The respondents appear to be less educated (66.38% matric or below), and 55.4% of the smokers are willing to quit or decrease smoking if the price of

cigarettes is doubled. This leads us to the conclusion that price can make a big difference in tobacco control efforts.

These 2,005 participants of the study were smoking 22,611 cigarettes per day. Out of these, 314 smokers were smoking illicit brands, while 1691 smokers were using licit brands. The average price of a cigarette pack was PKR. 103.05, and the average spending on cigarettes (per smoker per month) was PKR. 1,742. In total, thirty-nine (39) cigarette brands were identified in this study. Out of these, 28 brands were found illicit, and 11 brands were licit. Mandatory pictorial health warning also plays a vital role as 37.5% of respondents said they considered quitting smoking when viewing the graphic health warning on cigarette packs. 26.93% of smokers were also using tobacco in any other form, e.g., Naswar, Pan, Gutka, Huqqa/sheesha.

In conclusion, the survey's significant finding reveals that the prevalence of illicit cigarette use is **15.66%** in this provincial capital, which is significantly below the much-propagated figure of 37.6% by the tobacco industry. Some different variations and permutations can be applied to the data, but it is clear that the maximum percentage of illicit trade of cigarettes doesn't contradict this research finding. Further, the rate of illegal cigarette usage was higher in rural as compared with the urban population.

**Dr. Ziauddin Islam**

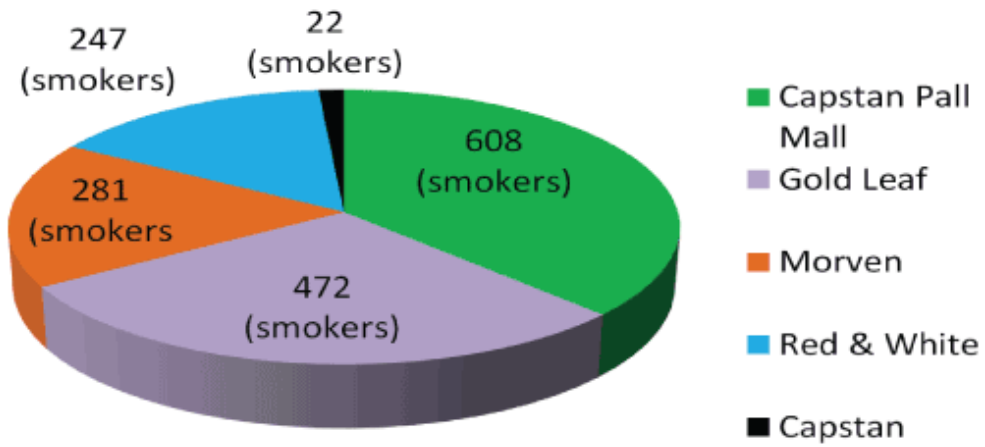
ILLICIT BRANDS		
Brand Name	No. of smokers	% age
Press	88	4.4
Dunhill int	44	2.2
Melburn	26	1.3
Millano	21	1.0
Cricket	16	0.8
Classic	15	0.7
B&H	14	0.7
Oris	12	0.6
Pine	10	0.5
Kisan	9	0.4
Café	9	0.4
Marlboro int	8	0.4
Gold Street	8	0.4
Visa	6	0.3
Three cuts	5	0.2
Gold seal	4	0.2
Hero	3	0.1
777	3	0.1
Cold mint	2	0.1
Gold Mark	2	0.1
Metro	2	0.1
Business Club	1	0.0
All Win	1	0.0
Next	1	0.0
Victory	1	0.0
Mond	1	0.0
More	1	0.0
Three star	1	0.0
<b>28 Brands</b>	<b>314</b>	<b>15.7</b>

## KEY FINDINGS

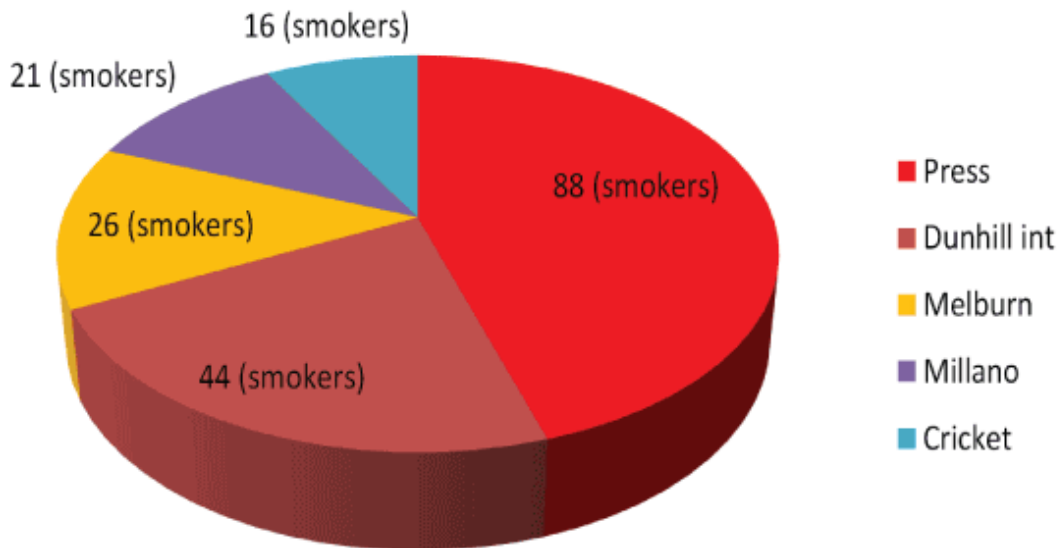


LICIT BRANDS		
Brand Name	No. of smokers	% age
Pall Mall	608	30.3
Gold Leaf	472	23.5
Morven	281	14.0
Red & White	247	12.3
Capstan	22	1.1
Gold Flake	21	1.0
Dunhill	13	0.6
L & M	11	0.5
John Player	9	0.4
Marlboro	4	0.2
Diplomate	3	0.1
<b>11 Brands</b>	<b>1691</b>	<b>84.3</b>

### Top 5 Licit Brands (smoker wise)



### Top 5 Illicit Brands (smoker wise)



A total of 39 cigarette brands were identified in the study. Out of these, 28 brands were found illicit, and 11 brands were licit.

The above graph shows the top 5 brands of both categories (licit & illicit)

## Introduction

Pakistan's estimated population is over 221 million, and the country is ethnically diverse. Pakistan is the 33<sup>rd</sup> largest country in terms of area and the 5<sup>th</sup> most populous country globally. Significantly, 62.7% population are under 25 years of age.

Pakistan has one of the largest populations of tobacco users globally, with over 22 million adults ages 18 or older smoking cigarettes, water pipe, or some other tobacco product. Almost one-third (32.4%) of men and 5.7% of women smoke tobacco, and 15.9% of adult Pakistanis are daily smokers. Millions of adults use some form of smokeless tobacco product, including gutka, naswar, and paan.

*([https://tobacconomics.org/wp-content/uploads/2014/05/PakistanReport\\_May2014.pdf](https://tobacconomics.org/wp-content/uploads/2014/05/PakistanReport_May2014.pdf))*

Over 160,000 deaths are attributed to tobacco use each year in Pakistan, with most of these deaths resulting from lung and other cancers, strokes, ischemic heart and other cardiovascular diseases, and respiratory diseases. Low taxes, coupled with very low manufacturers' prices, result in cigarette prices in Pakistan being among the world's lowest prices.

Like other countries of the region, Pakistan also faces significant challenges and weaknesses. The ineffective enforcement of tobacco control laws is one of those weaknesses. The tobacco industry has always portrayed high figures of illicit trade (as it is a global phenomenon) to strengthen their business against tobacco control legislation, enforcement of laws, etc. In 2016-17, Pakistan had reduced Federal Excise Duty (FED) on cigarettes by 50% and introduced the 3<sup>rd</sup> tier, arguing for increased illicit trade scale.

These trends prompted independent studies to assess the volume of illicit trade in Pakistan. FFO conducted a household study in 2018-19 (first of its kind across the region) in the rural and urban settings of Islamabad, and the study revealed that the burden of illicit trade of cigarette was only 15.95% and was significantly below the much-propagated figure of 43.7%, as the claim by the tobacco industry.

Another study conducted by Pakistan National Heart Association (PANAHA) and Human Development Foundation (HDF) & FFO, launched on April 5, 2018, has come up with a finding that the volume of illicit trade is recorded at only 9% in Pakistan.

The study in hand is another attempt to understand the burden of illicit trade of cigarettes in the two major cities (Lahore & Peshawar) of Pakistan. This is a market-based study and complementing the earlier studies on the same subject.

### Definition of Illicit Trade

- 1.** In the Protocol to Eliminate Illicit Trade in Tobacco Products, the World Health Organization (WHO) defines illicit trade as *"any practice or conduct prohibited by law and which relates to production, shipment, receipt, possession, distribution, sale or purchase, including any practice or conduct intended to facilitate such activity."* (Article 1.6; WHO, 2012)
- 2.** Illicit tobacco trade also refers *"to any practice related to distributing, selling, or buying tobacco products that are prohibited by law, including tax evasion (sale of tobacco products without payment of applicable taxes), counterfeiting, disguising the origin of products and smuggling. Illicit trade can be undertaken both by illicit players who are not registered with relevant government agencies, as well as by legitimate entities whose business operations are contrary to applicable laws and regulations"*. (Confronting Illicit Tobacco Trade: A Global Review of Country Experiences; World Bank Report)

### Forms of Illicit trade:

Illicit trade in cigarettes is any practice prohibited by law and which relates to production, shipment, receipt possession, distribution sale, or purchase of cigarettes, including any practice or conduct intended to facilitate such activity. Illicit cigarettes primarily exist in three forms:

**a. Smuggled:**

The unlawful movement of cigarettes (genuine or counterfeit) from one tax jurisdiction to another without the payment of applicable taxes or in breach of laws prohibiting its import or export.

**b. Counterfeit:**

Illegal manufacturing in which cigarettes bear a trademark without the owner's consent. These are sold with the intent of being passed off as genuine (it was not in the mandate of the study).

**c. Local Tax Evaded ( Duty Not Paid):**

Cigarettes are manufactured for consumption in the same jurisdiction, which is not declared to tax authorities. These cigarettes are sold without paying tax and may be manufactured in approved factories or illegal covert operations.

Illicit trade of cigarettes undermines global tobacco prevention and control interventions, particularly with respect to cigarette tax policy. Before 2018, no exact and accurate estimate of the illicit cigarette trade was available in Pakistan. Tobacco Industry took advantage of this lacking and deliberately stated incorrect statistics of the illegal trade for favorable policies and distracted policymakers' direction. The Introduction of the 3<sup>rd</sup> tier in 2016-17 was the exact example of tobacco industry interference by coding wrong and exaggerated data of cigarettes' illicit trade. However, to fill the gap of real estimates of illicit trade of cigarettes in Pakistan, FFO conducted its pilot research study in 30 clusters of Islamabad's urban and rural settings in 2018-19. In the current study (2019-2020) to quantify the share of illicit trade of cigarettes, we conducted a study in Lahore (capital of Punjab province) and Peshawar (capital of KPK province).

Detailed research findings are presented in the following sections.

## STUDY DESIGN

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### Objective:

The objective of the study was;

"To gather strong local evidence for countering TI arguments that higher taxes and prices will motivate customers to buy illegal products. And, to disprove the TI overblown claim of the high burden of illicit trade in-country".

The exercise's main focus was to gather updated information on cigarette users (licit & illicit) and recommend tobacco taxation reforms in the country.

### Methodology:

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It was a market-based study in urban and rural settings of district Lahore and Peshawar, which was conducted in two phases:

#### **Phase 1:**

Following steps were taken in this phase

- Listing of all major markets (district wise)
- Systematic selection of 10 markets from each district (5 urban and five rural markets from each district)
- Listing of all the shops (cigarette sellers) in selected markets.
- Systematic selection of 10 shops from each market.

#### **Phase 2:**

In phase Two, the data collector visited the first shop of the selected market and conducted an interview+ observation of cigarette packs from the first ten smokers (who purchased cigarettes from that shop). In this way, 100 smokers were interviewed from each market and 1000 from each district.

From the responses, data on the average daily consumption was collected to estimate the consumption of the market and the share of non-duty paid packets. The smoker/respondent was asked about the current cigarette smoking practices and types of brands they are using, socio-economic indicators like (gender, age, level of education, employment status, and profession), number of cigarettes smoked per day, and cost of cigarette stick or cost per pack. One

question was left open-ended: to capture the information about local and International brands to enlist cigarettes' brands.

There were two parts to the questionnaire:

- a) To document the response of the respondent/smoker.
- b) To observe the cigarette packs used by the respondent. The respondent/smoker at the household was asked to show the cigarettes pack if available to him/her. These cigarette packs were inspected/examined and identified as illicit if they carried a minimum of one of the following:
  - Inappropriate health warning (i.e., a pack with health warnings in a foreign language or without health warnings, or it had no graphics health warnings (approved by Govt. of Pakistan) on both front and back of cigarette packs or;
  - Its price was substantially below the known cost of PKR 48/58 in the participant's market, or it had no printing of retail price & sales tax or;
  - It had no mandatory textual health warning in Urdu and English or; It had no warning that sales under 18 are prohibited or;
  - It had no printing of name and address of manufacturer and country.

#### Survey Questionnaire

As part of the research study, a comprehensive questionnaire was developed to interview the selected smokers. The questionnaire had following sections:

**Background characteristics:** This included information on gender, age, education and occupation status, etc.

**Tobacco smoking:** Questions on patterns and frequency of use, former tobacco consumption the age of initiation of daily smoking, consumption of different tobacco products, and consultations with health care providers.

**Smokeless tobacco:** This section collected information about using smokeless tobacco such as naswar, nass (sniffed in the nose), paan, gutka, and others.

**Cessation:** Questions on receiving advice to quit smoking by health care providers in last one year.

**Economics:** This section included questions on the brand, quantity, cost, and source of cigarettes in the last purchase.

**Advertising:** Questions on exposure to cigarette advertising, promotion, and their response to health warning labels on cigarette packs. In this section, the reference period was the last 30 days.

**Knowledge, attitudes, and perceptions:** In this section, it was asked about knowledge, health effects of both smoking and smokeless tobacco.

**Cigarette packs observation:** To observe and record information printed on any cigarette packs that respondents/smokers have (brand, health warning, manufacturer details, and retail price).

## DATA COLLECTION

Enumerators were trained by FFO to interview the respondents in the field using CAPI (Computer Assisted Personal Interviewing).

Data Processing, Aggregation, and Analysis

After completion of data collection, data cleaning and analysis have been carried out using SPSS in tabular form, including frequency, graphs, and percentages.

## MONITORING AND VALIDATION OF DATA

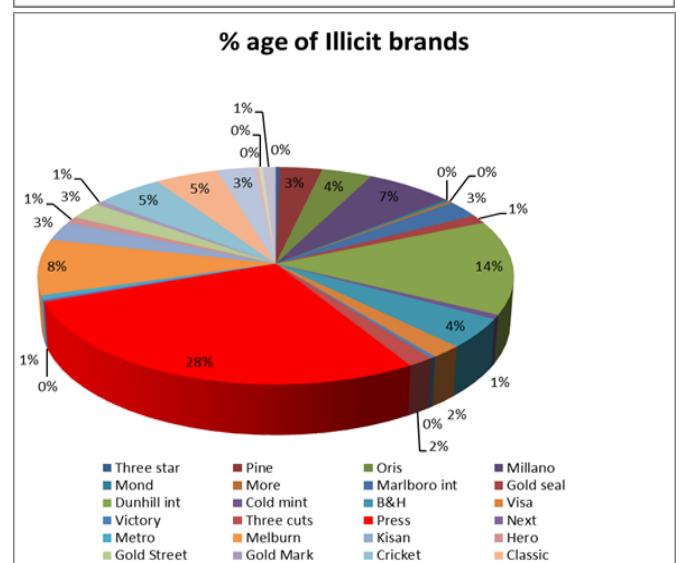
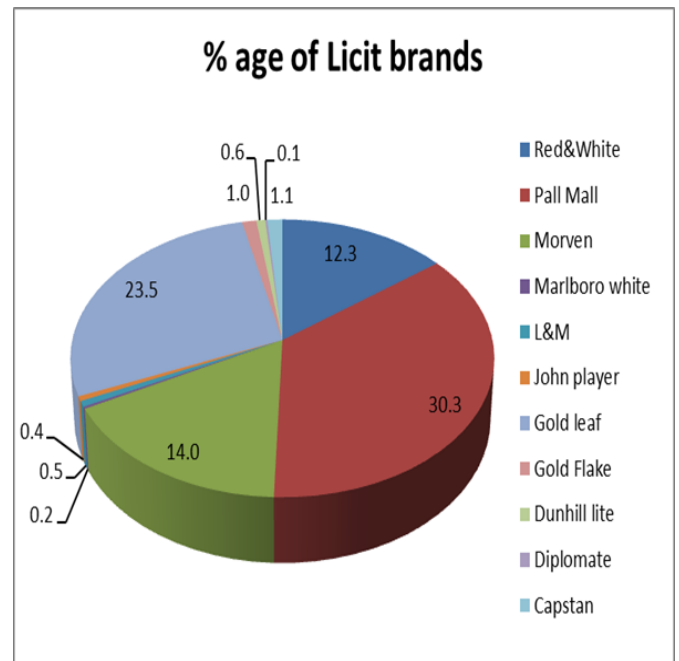
The data collection process was monitored by an Independent Consultant who was not part of the research study. Furthermore, to verify the process's authenticity, 10% of data was validated by an Independent Consultant. The overall process of monitoring and validation was found satisfactory and up to mark.

## SURVEY FINDINGS

This section elaborates with the findings of a survey relating to the burden of illicit trade of cigarettes and othertobacco-related behaviors.

### Key Finding

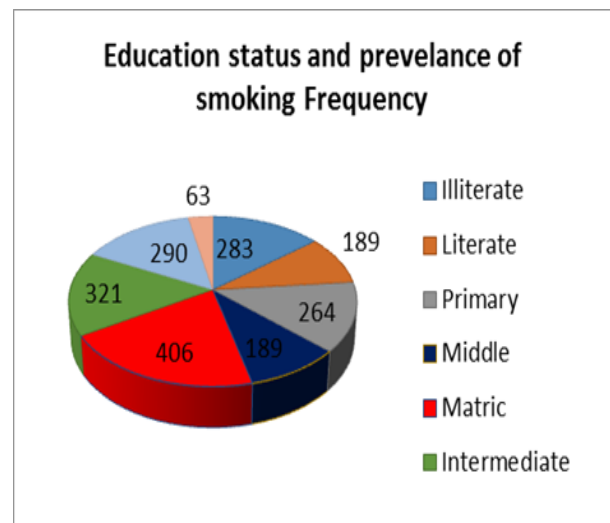
To measure the burden of illicit cigarette use in Lahore and Peshawar, a combined method of smokers survey and cigarette pack observation was used in 20 markets (10 urban & 10 rural). The key finding of the study revealed that **15.66%** of the smokers were using the cigarettes brands that failed to comply with the six-factor criteria related to pictorial health warnings, textual health warning, low price/tax evaded underage warning, manufacturer details, the printing of retail price and thus classified as illicit. The study also reveals that **5.93%** of cigarettes were illicit as smuggled cigarettes and **9.72%** illicit as low price/tax evaded cigarettes(DNP).



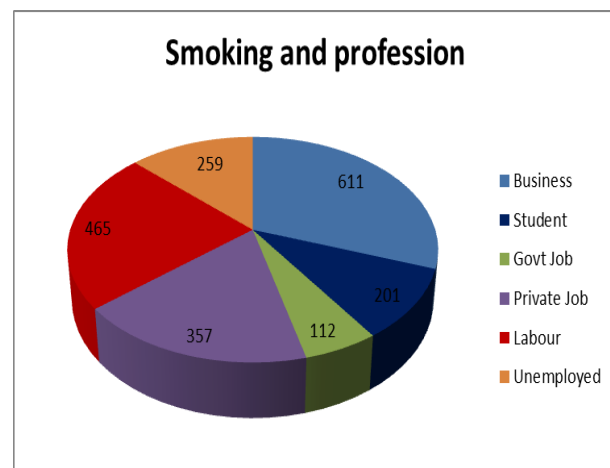
### Educational background and profession

There was a strong relationship between smoking and education. The study found that adults with college degrees are less likely to smoke than adults with less education. The survey findings confirmed that smoking is prevalent among people with low educational attainment. Amongst the surveyed populations, **66.38%** were matriculation or below, the intermediate was **16.01%**. Respondents with a graduate degree or above made **14.46%**.

Education status and prevalence of smoking		
Education	Frequency	Percentage
Illiterate	283	14.11
Literate	189	9.43
Primary	264	13.17
Middle	189	9.43
Matric	406	20.25
Intermediate	321	16.01
Graduate	290	14.46
Post Graduate	63	3.14
<b>Total</b>	<b>2005</b>	<b>100</b>



Smoking and profession		
Profession	Frequency	Percentage
Business	611	30.5
Student	201	10.0
Govt Job	112	5.6
Private Job	357	17.8
Labour	465	23.2
Unemployed	259	12.9
<b>Total</b>	<b>2005</b>	<b>100.0</b>



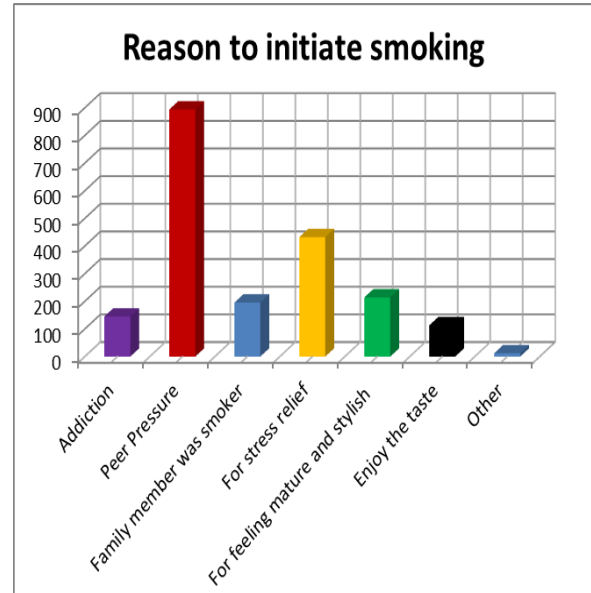
The above table shows that prevalence in business class is much more than in other professions. Another interesting finding is that the people working in the private sector are more than government employees.

Overall, **17.8%** of people working in private sector are smokers, while smoking with government employees is **5.6%**. **23.2%** of smokers are laborers by profession, and **10%** of smokers are students.

### Reason to initiate smoking

According to this study, 44.6% of smokers started smoking due to peer pressure, and 21.5% of smokers initiated smoking due to peer pressure. The below table highlights the reasons for starting smoking.

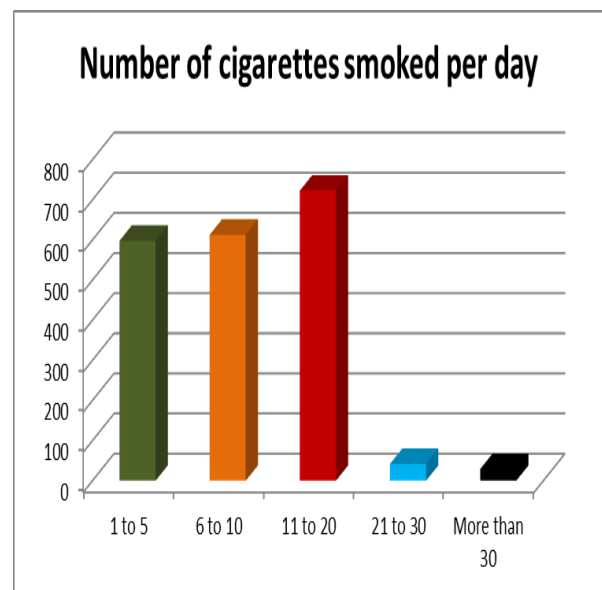
Reason to initiate smoking		
Reason	Smokers	Percentage
Addiction	145	7.2
Peer Pressure	894	44.6
Family member was smoker	195	9.7
For stress relief	432	21.5
For feeling mature and stylish	214	10.7
Enjoy the taste	113	5.6
Other	12	0.6
<b>Total</b>	<b>2005</b>	<b>100.0</b>



### Number of cigarettes smoked per day

Two thousand five smokers are smoking a total of 22611 cigarettes sticks daily. Overall, **11.27** cigarettes are consumed by smokers daily. The majority of respondents (36.06%) reported consuming 11 - 20 cigarettes per day.

Number of cigarettes smoked per day		
No. of cigarettes	Smokers	Percentage
1 to 5	598	29.83
6 to 10	613	30.57
11 to 20	723	36.06
21 to 30	42	2.09
More than 30	29	1.45
<b>Total</b>	<b>2005</b>	<b>100</b>



### Age-wise consumption

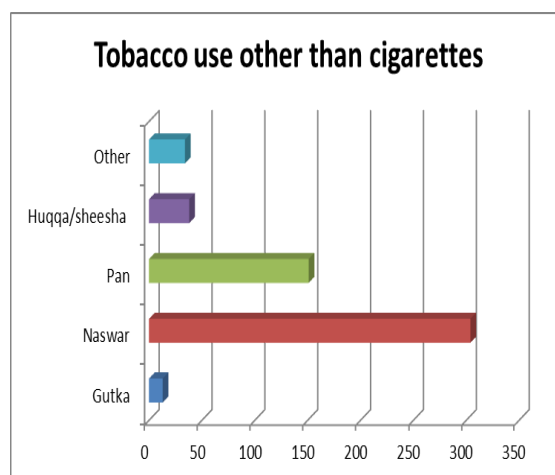
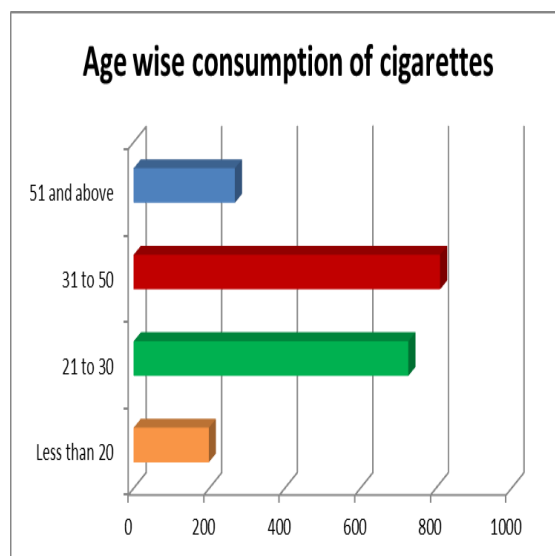
It is observed that the consumption of cigarettes generally increased with age. According to survey findings, the highest cigarette consumption found 40.4% in the age group (31-50).

The graph below showed that the cigarette consumption gradually increased as 9.9% from the age group of less than of 20 years to 36.3% in the age group (21-30) and 40.4% in the age group (31-50) and significantly decreased in the age group of over 50 years of age.

Age wise consumption of cigarettes		
Age bracket	Smokers	Percentage
Less than 20	199	9.9
21 to 30	727	36.3
31 to 50	811	40.4
51 and above	268	13.4
<b>Total</b>	<b>2005</b>	<b>100.0</b>

Tobacco use other than cigarettes		
Other tobacco product	User	Percentage
Gutka	13	0.6
Naswar	304	15.2
Pan	151	7.5
Huqqa/sheesha	38	1.9
Other	34	1.7



### Tobacco use other than cigarettes

The above graph shows the information about the usage of tobacco other than cigarettes by smokers. 26.93% of smokers are also using tobacco in different forms.

The use of Naswar is highest (15.2%), followed by Pan (7.5%). 1.9% of smokers are also using Huqqa/sheesha, whereas 0.6% use gutka.

### Expenditure on Cigarettes

The economic aspect of cigarette use is calculated in this section. An important indicator, such as overall cigarette consumption, the price per pack, and monthly expenditure on cigarettes, are focused on.

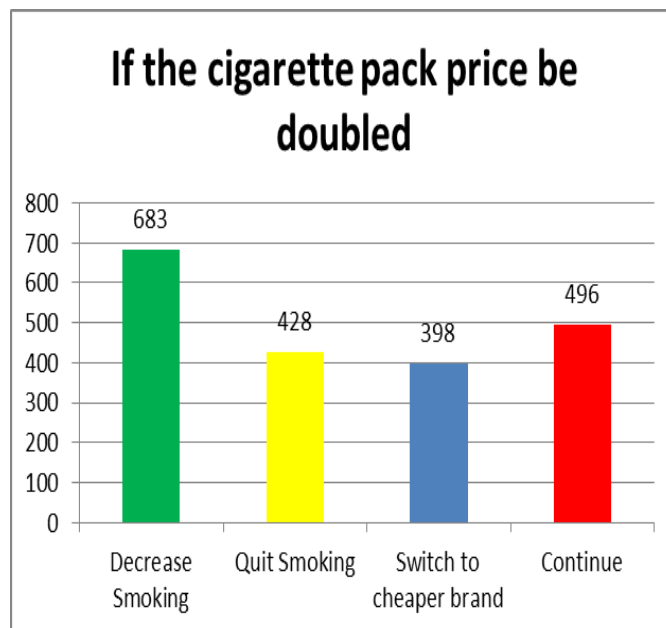
It is worth mentioning that cigarette consumption has begun to fall in Pakistan in recent years. According to GATS 2014, the average number of cigarettes smoked per day among daily smokers was 13.6, and in the previous study of FFO done in 2018-19, it was 12.78. This study revealed that current smokers consume 11.27 cigarette sticks per day. The cigarette pack's average price is PKR 103.05, and current smokers spend PKR 1,742 on smoking per month.

It is not merely the economic costs; instead, the money spent on cigarettes has other implications as tobacco consumption tends to increase the smokers' medical expenditures. The amount available for a low-income family's education and leisure is also reduced.

### Effect of increase in cigarette price

The question was asked to the smokers, "what will you do if the price of cigarette be doubled" 55.4% responded that they would quit or decrease smoking if the price is doubled from the current level. 24.7% of smokers said they would continue smoking at the current level and 19.9% would switch to cheaper brands if the price doubled.

If the cigarette pack price be doubled		
Response	Smokers	% age
Decrease Smoking	683	34.1
Quit Smoking	428	21.3
Switch to cheaper brand	398	19.9
Continue	496	24.7
<b>Total</b>	<b>2005</b>	<b>100.0</b>



### Popular Brands

Thirty-nine (39) cigarette brands identified during the interview with smokers. The survey revealed that among five popular cigarette brands, Capstan Pall Mall was more commonly purchased/ used cigarette (30.3%) followed by Gold Leaf (23.5%), Morven (14%), Red & White (12.3%) and Press (4.4%). In above mentioned brands 4 out of 5 brands are identified as licit brands whereas "Press" is an illicit cigarette brand. Capstan Pall Mall was consumed at a higher rate in both cities.

### Knowledge, Attitude and Perception

Pakistan is one of the largest tobacco consuming countries in the world. Tobacco is consumed in many forms in Pakistan, including smoking of manufactured cigarettes, and waterpipe (shisha), and chewing of gutka, naswar, and paan. Cigarettes account for most of the smoked tobacco consumption. Cigarette smoke contains more than 7,000 chemicals, and many are considered carcinogenic. Smoking tobacco is a significant risk factor for several diseases, causing premature death and chronic illness such as cancers, lung diseases, and cardiovascular diseases.

This section describes survey findings on smokers' knowledge, beliefs, and perception of different topics related to smoking. Study indicates only 2.5% (50 smokers) ever tried E-Cigarette while 21.9% (439) smokers heard about E-Cigarette. Mostly users (82.8%) have confirmed belief in the ill-health effects of tobacco smoking. The percentage of smokers who received advice to quit smoking by a health practitioner in the past 12 months was 66.3%. The expectation that smokers had been equipped with adequate smoking hazards information received from the pictorial health warning (PHW) on the cigarette packs and other channels, but still, 26.9 % of smokers are not well aware of the dangerous effects of cigarette smoking. While asking the question, "do you want to quit smoking" 63.7% of the respondents replied yes, but they also admit that quitting smoking is not an easy job. 87.9% of respondents favored banning smoking at public places and 91.3% of smokers favored prohibiting cigarette sales to minors.

#### Observation of Cigarette Packs

As part of the study, cigarette packs available with the respondents (smokers) were also examined to measure the illicit trade burden.

#### **Health Warning Labels**

Among the current use of cigarette packs, 94.06% noticed packs had pictorial health warnings and textual warnings in Urdu and English.

#### **Warning related to the under-age sale**

The study finding showed that 94.06% of cigarette packs contain underage warning.

#### **Price and Manufacture detail**

Only 5.94 cigarette packs were without printing of retail price on it. No cigarette pack reported having any tax stamp.

## Discussion & Conclusion

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Pakistan became a Party to the Framework Convention on Tobacco Control on February 27, 2005, ratified the FCTC Protocol to Eliminate Illicit Trade in Tobacco Production on June 29, 2008.

The study's primary objective was to measure the burden of illicit cigarette use in Lahore (Provincial Capital of Punjab) & Peshawar (Provincial Capital of KPK). The research findings reveal that volume of illegal cigarette trade is nowhere near to the much-propagated figures of **37.6%**<sup>two</sup> by the tobacco industry. Currently, 39 Cigarette Brands are in use of smokers covered under the study, out of which 28 brands are classified as illicit. However, the consumption of illegal brands is much less than legal brands. Out of all (2005) smokers in the study, only 314 were using illegal cigarette brands.

Study findings show that the current users of illicit cigarette use in Lahore & Peshawar are only **15.66%**, which is a significant finding compared to overstated figures by the Tobacco Industry. Tobacco Industry often exaggerates the data of illicit cigarette trade to influence the tax *regime*. In 2018-2019<sup>3</sup>, the cigarette excise rates were increased and in June 2019, the third cigarette tier was withdrawn. However, the current excise rates are still relatively low.

The research is detailed: increases in tobacco taxes decrease tobacco use. Indeed, raising taxes on tobacco and increasing its price is one of the most effective ways to reduce tobacco use. Prices affect virtually all cigarette use measures, including per-capita consumption, smoking rates, and the number of cigarettes smoked daily. Reduced cigarette prices due to lower tax rates are causing significant losses to the national exchequer. Increased consumption also puts the burden on the national exchequer through increased spending on health. There is a strong relationship between cigarettes' illicit trade, governance, illegitimate business, money laundering & terrorism financing. The tobacco industry commonly argues that higher taxes and prices (and other tobacco control measures) will motivate customers to buy illegal products rather than smoking less or quitting. This will impact tax revenue without a decline in tobacco use. Numerous empirical analyses across a diversity of countries - including the case studies presented in this report - refute this argument. (*Confronting Illicit Tobacco Trade: A Global Review of Country Experiences*<sup>4</sup>).

The Governments should fully implement the WHO Framework Convention on Tobacco Control and its Protocol to Eliminate Illicit Trade in Tobacco Products<sup>5</sup>. The Protocol features several useful action points, including Article 10.1.b, which notes that Parties shall "take the necessary measures" so that companies "[supply] tobacco products or manufacturing equipment in amounts commensurate with the demand for such products within the intended market of retail sale or use." Given the complexity of the issue, countries need to take comprehensive action that illicit tobacco is countering the government's efforts to curb smoking. A rigorous multi-pronged approach is required to tackle it effectively. The multidimensional approach should include

**Tackle tobacco industry interference:** The first measure is to tackle industry interference with policymaking. The tobacco industry is attempting to circumvent international guidelines to reclaim influence in tobacco control by supporting governments to tackle the illicit trade. But as the WHO warns, "There is a fundamental and irreconcilable conflict between the tobacco industry's interests and public health policy interests." Second, governments would do well to increase resources dedicated to relevant law enforcement and customs departments, including adequate training independent of the tobacco industry. Third, more data should be collected and analyzed independently of the tobacco industry. Very often, there is much we do not know about the illicit tobacco trade in any said country, meaning that policy responses often rely on potentially misleading seizure figures and industry-funded data.

More broadly speaking, the more fundamental issues of weak governance, institutional capacity, political will, transparency, accountability, and corruption need to be tackled to make substantial progress.

**Controlling the Supply Chain:** As the findings indicate that the burden of illicit trade of cigarette in Lahore and Peshawar is 15.66% and to reduce the size of the illegal cigarette trade effectively, opportunities exist for government to control the supply chain and prevent diversion into the illicit market by imposing licensing and regulatory requirements on tobacco vendors throughout the supply chain, including tobacco growers, manufacturers, distributors, wholesalers, and retailers.

**Track & Trace System: Article 8 Protocol to eliminate illicit trade in tobacco products** is on Tracking and Tracing; it is possibly the essential one, however. Its transcripts that "the Parties agree to establish within five years of entry into force of this Protocol a global tracking and tracing regime." Under the traceability system of the Protocol, detailed information on the entirety of the tobacco supply chain is for instance required, including "the name, invoice, order number and payment records of the first customer not affiliated to the manufacturer," "the intended market of retail sale," "any warehousing and shipping," "the identity of any known subsequent purchaser," and "the intended shipment route, the shipment date, shipment destination, point of departure and consignee" (Article 8.4.1). This system is intended to "further [secure] the supply chain and to assist in the investigation of illicit trade in tobacco products." However, it is currently at risk of being controlled by the tobacco industry. Further research on this development and caution from governments is required to ensure that the track and trace measures in place across the world effectively mitigate the illicit tobacco trade, rather than promote the commercial interests of the Tobacco Industry at the expense of public health and good governance.

**Strict enforcement of existing laws:** Pakistan is amongst the countries having fair tobacco control laws, but these regulations are hardly enforced. To curb illicit tobacco trade, existing tobacco control laws/vendor act should be enforced rigorously. Enforcement of laws especially ban on smoking at public places, government offices, and academic institutions should be strictly ensured. The prevalence of tobacco usage is decreasing acknowledged by WHO EMRO region "With respect to the change in the regional prevalence projection between the two trend reports, the most important decrease was for Pakistan (whose population amounts to just over 30% of the Region), where the projected 2025 male prevalence dropped from 45.1% in the 2015 report to 35.1% in the 2018 report" .<sup>6a</sup>

**Public awareness campaigns:** Getting the public involved supports enforcement and reduces the demand for illegal products. The government should try to change the public attitude towards smoking by directly attacking the "culture of tolerance" for smoking, whether licit or illicit cigarettes. Special focus should be on the population

with a high prevalence of smoking, including illiterate / semi-literate youth. The impact of the crackdown in the markets to stop the sale of illicit cigarettes would be substantial.

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