



WCO TECHNOLOGY & INNOVATION FORUM

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SIZE OF THE ILLICIT TRADE IN TOBACCO PROBLEM
 Broken down by the WHO Regions - 2008 Estimates
 What is important to one region may be different to another

WHO REGION	Illicit Trade % Share of region	Counterfeit	Local Duty Evaded	Smuggled
		% of IT Total	% of IT Total	% of IT Total
AFRO	10%	1%	29%	70%
AMRO	17%	4%	63%	33%
EMRO	13%	3%	50%	47%
EURO	8%	19%	1%	80%
SEARO	3%	5%	86%	9%
WPRO	4%	61%	3%	36%
GLOBAL	6%	30%	22%	48%



Supply Chain Security elements and external drivers



Combating Illicit Trade in Tobacco Products

Track & Trace (T&T)	Fiscal Verification	Authentication
<p>“Tracking”: Monitoring forward movement of finished goods through the supply chain from manufacture to first external customer</p> <p>“Tracing”: Working backwards through the supply chain to establish where any genuine product was diverted out of the legitimate supply chain.</p>	<p>Fiscal Verification is defined as a process for verifying the correct payment by manufacturers of excise and other taxes on products they produce.</p>	<p>Determining if a product is genuine or counterfeit at any point in the supply chain.</p>

Different requirements and scope, interdependent but complimentary solutions required to work across a supply chain

<p>External Drivers:</p> <ul style="list-style-type: none"> • International law – FCTC All members to implement • Expensive third party solutions that don't meet requirements for T&T 	<p>External Drivers</p> <ul style="list-style-type: none"> • Regulatory pressures • National requirement (domestic law) to change tax collection regime • Expensive third party solutions
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Slide 3

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Can we refer to international law

Nicole Patyi; 28/10/2009



The problem of counterfeited paper stamps



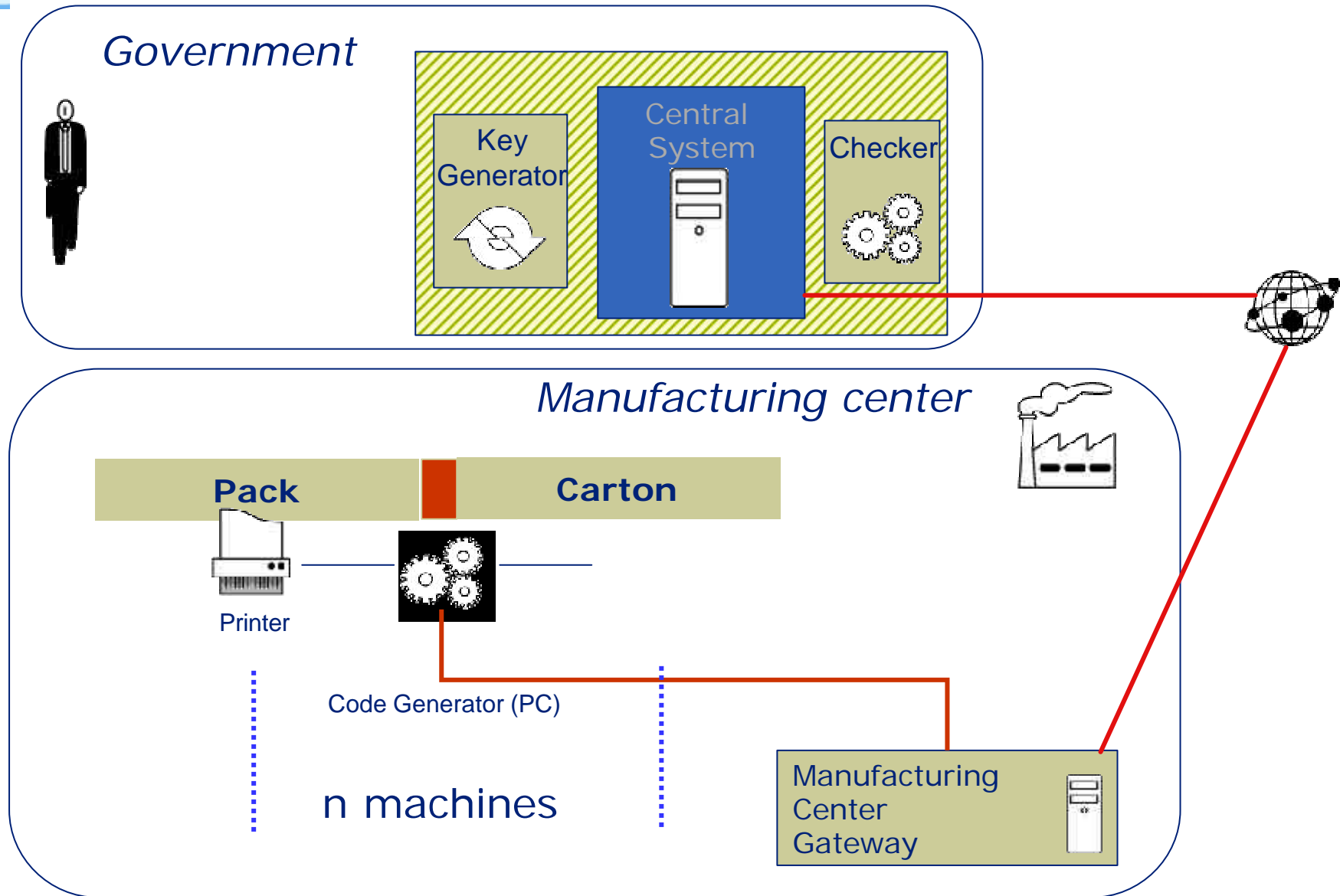
- Overt security features are rapidly and successfully mimicked
 - Gives consumers a false sense of certainty/security
 - Some recent examples:



- Covert security features:
 - Require special reading equipment and training; and
 - Trade/consumers cannot in practice verify with 100% certainty that they have bought a genuine, legal, tax paid product
 - Substantially reduces usefulness as a tool to fight counterfeit



Digital Verification - infrastructure





Advantages of Digital Verification



- Accurate
- Efficient
- Low cost
- Secure
- Easily administered
- Provides the capability for effective tax planning
- Can easily be implemented across the industry