

The Illicit Trade of Cigarettes

A Challenge for Tobacco Control in Mexico

2017

In 2017, an independent investigation showed that the illicit trade of cigarettes in Mexico was just under 9%, well below the 17% claimed by the tobacco industry. However, wide geographical variation was observed.¹



These findings demonstrate that there is no direct association between the application of healthy taxes and the increase in illicit trade. On the contrary, they suggest that its magnitude and growth could be explained by factors related to the public security context, poor customs control, and a low level of governance, as well as residual effects of the COVID-19 pandemic.

Consequences of the illicit trade of cigarettes



- Increases** the affordability of cigarettes
- Undermines** the effectiveness of health warning labels
- Reduces** tobacco tax revenue
- Contributes** to the financing of criminal organizations

2023

In 2023, a follow-up study found that illicit trade is about 18%, confirming the wide regional variation, with most cities below the national average.²

Recommendations for the Prevention and Control of Illicit Trade



Adhere to the World Health Organization's (WHO) Protocol to Eliminate Illicit Trade in Tobacco Products and participate in the establishment of global mechanisms to control the problem.

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Strengthening customs controls and the investigation of related offences.

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Build a track and trace system that allows effective control of the entire supply chain and not just the production/import of the final product. This includes the clear definition of competencies at the three levels of government and the establishment of interinstitutional coordination mechanisms.³

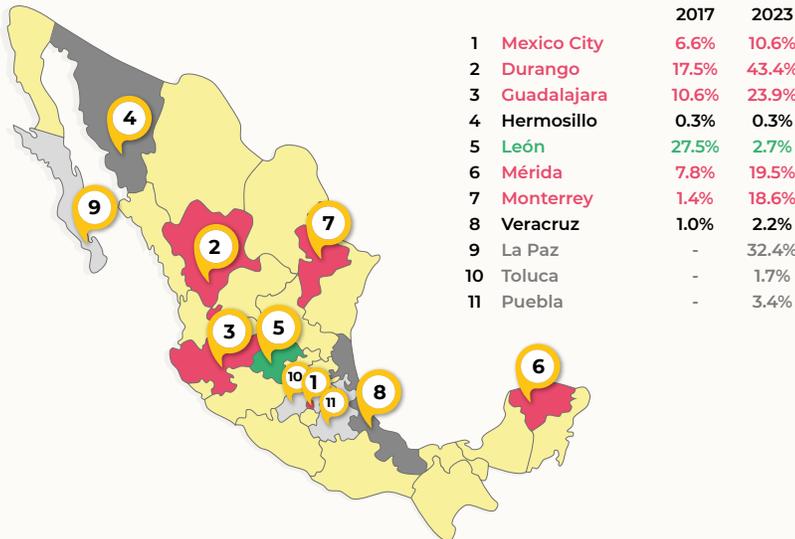
and the establishment of interinstitutional coordination mechanisms.³



Implement all the strategies of the WHO Framework Convention on Tobacco Control, with an emphasis on strategies that are synergistic with the ratification of the Protocol, for example: the substantial increase in taxes on tobacco products.

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The Illicit Trade of Cigarettes in 11 Cities in Mexico



Total eleven cities: 18.2% in 2023 (there are no comparable data for 2017).
Total eight cities: 8.5% in 2017 and 20.4% in 2023.

Note: An increase or decrease is only noted when the changes are statistically significant.

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Main Findings

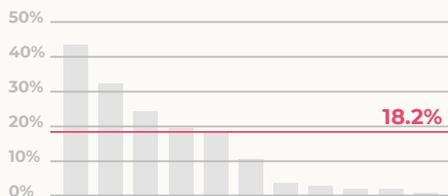
18.2% of cigarettes consumed in Mexico are illicit

The level of penetration of illicit trade shows very wide differences between cities and ranges from 0.3% in Hermosillo to 43.4% in Durango.

Cities with lower population densities, such as Durango and La Paz, have the highest proportion of illicit cigarettes (43.4% and 32.4%, respectively). Compared to Mexico City, where illicit trade accounts for 10.6%, and cities in the metropolitan area such as Toluca and Puebla where it represents only 1.7% and 3.4%, respectively.

Changes to taxes and prices on tobacco products is insufficient to explain the scale (and changes) of illicit trade: in Mexico, the tobacco tax (IEPS) is the same for the entire country and price differences between cities are minimal. If price was the main determinant of illicit trade, one would expect greater homogeneity of illicit trade patterns across regions and cities.

The most plausible causes of these differences are factors such as corruption, deficiencies in regulatory enforcement mechanisms, and widespread and entrenched illegal distribution networks, among others.⁴



The increase in the illicit trade of cigarette between 2017 and 2023 averaged 12 percentage points. However, it is worth while noting that in 2023 six cities were well below the national average (Mexico City, Hermosillo, León, Puebla, Toluca, Veracruz).

We collected 56 brands of illicit cigarettes. However, only six accounted for almost

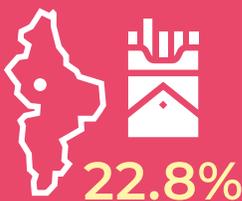
90% of the total:

although it is important to consider that the country reported on the pack is not necessarily the place of manufacture.

D&J (30.8%) United Arab Emirates	President (27.6%) Vietnam	Marble (20.4%) Switzerland	Royal (4.5%) India	Time (4.3%) South Korea	Marshal (1.7%) China

Link

Monterrey



While illicit imports remain, by far, the main source of supply for the country's illicit cigarette market, the domestic cigarette production of the brand Link is problematic, as about one in five Link packs (22.8%) did not include the required security code. The main destination of these packs was not the city of Guadalajara, capital of Jalisco (declared place of production), but Monterrey, capital of Nuevo León (36.8%).

Methodological Note

- Eleven cities across the country were selected, including eight that were also part of the 2017 study. The sampling was random, allowing us to obtain representative estimates in each city.
- A direct method was used based on the collection and analysis of 12,607 discarded cigarette packs on the streets. The routes traveled correspond to roads in a set of well-defined areas (Basic Geostatistical Area, AGEB).
- We assessed compliance with packaging requirements from the General Law for Tobacco Control (LGCT) to identify the illicit pack. Two alternative definitions considered the brand and the presence of the security code required by the tax authority.

- 1 Sáenz de Miera Juárez B, Reynales-Shigematsu LM, Stoklosa M, et al. (2021). *Measuring the illicit cigarette market in Mexico: a cross validation of two methodologies*.
- 2 Sáenz-de-Miera B, Reynales-Shigematsu LM, Méndez I, et al. (2024). *El consumo de cigarros ilícitos en México. Un estudio de seguimiento en 2023*.
- 3 Sáenz-de-Miera B, Reynales-Shigematsu LM, Cardenas-Denham, et al. (2022). *Impuestos saludables para el control del tabaco en México*.
- 4 Dutta (2019). *Confronting illicit tobacco trade: A global review of country experiences*.

This study was supported by a grant from the Institute for Global Tobacco Control at the Johns Hopkins Bloomberg School of Public Health with funds from the Bloomberg Initiative to Reduce Tobacco Use.

Citation: Sáenz-de-Miera B, Reynales-Shigematsu, Méndez I, Grilo C, Welding K (2024). *El comercio ilícito de cigarros. Un desafío para el control del tabaco en México*. Cuernavaca, México: INSP.

