

Headline	'To curb illicit cigarette trade, fight corruption first'		
MediaTitle	The Edge Financial Daily		
Date	21 Jun 2019	Color	Full Color
Section	Home Business	Circulation	4,562
Page No	1,5	Readership	13,686
Language	English	ArticleSize	796 cm ²
Journalist	WONG EE LIN	AdValue	RM 8,725
Frequency	Daily	PR Value	RM 26,175



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A strong and sincere political will is needed to fight the scourge, says Akhbar

BY WONG EE LIN

KUALA LUMPUR: Illicit cigarette trade is getting from bad to worse in the country. The share of illegal tobacco in the local market has expanded to 60% currently from 37% in 2015.

It is known that the rampant illicit cigarette trade is draining multi-billion of tax revenue from the nation's coffers in the form of tax revenue lost.

To stop the crime, corruption is the first thorny problem that the government needs to tackle.

The ex-president of Transparency International Malaysia Datuk Seri Akhbar Sattar commented that a strong and sincere political will is needed to fight corruption. By doing that, the illegal cigarette trade will in turn be clamped down.

Speaking at the Oxford Economics Media Roundtable and Panel Discussion on illicit cigarettes yesterday, Akhbar noted that 80% of law enforcers are corrupted, citing a report by the Malaysian Special Branch highlighting a high number of corrupted law enforcement officials.

To put into perspective, Akhbar noted that a 40-footer container holds some 10 million sticks of cigarettes. Syndicates can buy a container for US\$400,000 (RM1.6 million), but sell it for RM2.5 million.

"The customs is the most corrupt business in history. The customs is a great opportunity to make money, particularly for people with disaffected, (especially when) they see their bosses, their government ministers being corrupt," said former International Monetary Fund (IMF) Africa South Regional Kenneth Head, who also spoke at the roundtable and panel discussion.

He stressed that the change has to start from the top of any organisations. "If not, how do you expect the lower ranked officials to not do the same?" Head commented, not-

ing that change of mindset is a crucial step.

"If you are a new officer (working in an environment) where 80% of the people are corrupt, it takes quite a strong person to not get embroiled in that situation," he added.

He believes that a task force should be formed so that all the law enforcing agencies work together, including the security service, international police, regional police and customs.

According to the Oxford Economics report, legal cigarettes sales have fallen by 32% after the government raised the excise duty in 2015 by almost 40%, while smoking has gone up by 5% nationwide in 2018.

David Lum, the Criminal Investigations Attaché of the US Internal Revenue Service (IRS), said selling contraband cigarettes, which is considered a "petty crime", could lead to more serious crimes.

"While people see this as a petty crime, the money generated with the selling of these contraband cigarettes goes into financial institutions and they're laundering money.

"Even if the selling of contraband

cigarettes is a slap in the wrist, money laundering is a serious crime and it threatens that integrity of financial institutions when the proceeds from these illegal activities go into the financial system," said Lum.

He noted that selling contraband cigarettes would enable syndicates to have these wide networks to smuggle in cigarettes and then use these networks of connections to smuggle in other things.

Given that the majority of the illicit cigarette consumption from is Sabah and Sarawak and the east coast, Akhbar pointed out that it was "high time" for the government to form a task force and concentrate on the areas with heavy smokers.

Citing Nielsen, the Oxford Economics report showed that the highest illicit trade market share by state in 2018 was Sarawak with 83.5%, followed by Sabah (81.3%), Kelantan (78%), Terengganu (76.5%) and Pahang (72.5%).

Meanwhile, MIDF group managing director Datuk Charon Wardini Mokhzani said that the bigger issue should not be focused on the loss in

excise duty revenue from cigarettes, but on how to combat organised crime.

Charon noted that the increase in excise duty from cigarettes is indirectly promoting illegal activities.

He said the government policy is aimed at reducing smoking, with the intention that when the government raises cigarette prices, then the people will smoke less.

"But what happens today is that when prices increased... lots of bad people came around said that it is easier to sell smuggled cigarette," said Charon, adding that despite the price increase in cigarettes, Malaysians still smoke some 20 billion sticks of cigarettes a year.

"We have to find another way of attacking the problem. Clearly, just raising the prices gives more avenues for bad people to do more bad things," he stressed.

"If you can make RM2.5 million for a 40-footer container, that is a huge amount of money. A lot of people get tempted. It's not just a political will in general to combat corruption, but a will in general," Charon said.



(From left) Lum, Akhbar, Head, Charon and Oxford Economics director of economic impact consulting for Europe and Middle East Pete Collings participating in the Oxford Economics Media Roundtable and Panel Discussion on illicit cigarettes in Kuala Lumpur yesterday.

