

More at stake than brand security

For tobacco manufacturers, the need to take product-security issues seriously is no longer driven only by concerns about losses to brand reputations and balance sheets. As MICHAEL MCKAY describes here, some of the profits and taxes ceded to smugglers and counterfeiters could wind up in the hands of terrorists.

You could be forgiven for having assumed that this magazine's security feature would confine itself to the usual suspects: encryption, packaging, warehousing and transportation, and maybe the question of ensuring that tobacco machinery does not get into the hands of those bent on counterfeiting.

Most people are by now aware of the alarming rise in the trade of contraband and counterfeit goods, which I described in the November 2003 issue of *World Tobacco*, and by the need to stem this growth. And while seizures increase, organised crime seems not just to keep up but to keep ahead. Four years ago, the value of the worldwide trade in counterfeit goods reached an estimated

US\$450bn, more than the gross domestic product of all but 11 countries and close to that of Australia.

In the US alone, the FBI reckons the economic impact on legitimate businesses of losses due to counterfeiting totals about \$200bn-250bn annually. And the government in Russia is said to forfeit an estimated US\$1bn a year in tax revenue.

At the same time, the widespread availability of counterfeit products discourages legitimate investments in the private sector.

There is, however, a crucial dimension to any discussion on security that goes beyond the losses suffered by businesses and government treasuries. There is a growing threat to the security of each one of us because of the uses to which the huge profits from organised crime are being put. So serious is this threat that the North Atlantic Treaty Organisation (NATO) is taking a long, hard look at it. Later this year, NATO will hold a high-level workshop entitled *Illicit Trafficking: Detection, Deterrence and Interdiction*. Its purpose will be to examine the relationship between traditional smuggling channels and emerging security threats such as the illicit trafficking in weapons of mass destruction (WMD) technology. It will focus on the practical measures that can be taken to improve detection, deterrence and prevention. The main objective will be to apply broader counter-trafficking lessons to bilateral and multilateral efforts aimed at neutralising the security threat posed

to NATO's member states by WMD technology trafficking.

Government representatives will attend the meeting from the US, the EU, the Baltic states, Russia, the Balkans, Canada and other countries and regions. EUROPOL and other law enforcement agencies also will attend. This level of representation indicates how seriously these states take the threat posed by the consequences of the use of illegal funds generated from, among other activities, the smuggling of cigarettes, alcohol and people.

The international tobacco industry is already doing much to help in the fight against organised crime and the major programme of co-operation involving the big four international cigarette manufacturers and the China National Tobacco Corp in the fight against counterfeit cigarettes is a powerful example.

The theme of the conference reinforces the importance of sensible government policies on taxation. An increasingly alarming but unsurprising picture emerges when looking at the general level of taxation in, for example, the EU, where France, Germany and the UK have increased retail prices through taxation, purportedly to reduce demand. The picture is one of an 'island' EU of high prices (read taxes) flanked to the south and east by poorer countries such as those in northern Africa and the Balkans, Ukraine, Belarus, Kaliningrad and Russia. It does not take a great intellect to deduce that the financial incentive to infiltrate the rich EU with cheaper, illicit products will continue to be extremely high.

So while organised crime takes advantage of the situation, governments too become culpable as their questionable fiscal policies encourage the very illicit activities they claim to be fighting.

One encouraging sign is that the financial and other links being forged between organised crime and terrorism are at last being understood by business leaders in the private sector, and not just by legislators. There is good reason for business to be vigilant and to promote initiatives that improve security. If it does not, assumptions of mistrust will be made based on the notion that somehow business is guilty until proven innocent. The balance between public security and safety, and human and commercial rights to privacy are at the core of this important issue.

In the meantime, international organisa-

PR contract secured

“Global intelligence indicates that the illegal profits made from counterfeiting fund other serious organised crime, including terrorism,” said Ms Suzanna Hammond, chief executive of Hammond PR, who was speaking recently after the appointment of her company to handle the public relations of the Anti-Counterfeiting Group (ACG). “Additionally, there is enormous cost to the world economy in lost revenue, damage to legitimate business and effect on employment. Consumers are increasingly at risk from untested, poor quality goods of all kinds (including food and drink), which we all buy in good faith every day. It is now crucial that government, industry and consumers become fully aware of the devastating impact of this crime.”

This year, the PR programme will concentrate on raising the profile of ACG as a key player in the fight against counterfeiting. Target audiences will include governments, consumers, enforcement agencies and ACG's current and potential members. Political and legislative issues will be addressed in partnership with the Alliance Against Counterfeiting and Piracy in the UK, and the Association des Industries de Marques (AIM – the European Brands Group) in Bruxelles.

