

Income crunch set to fuel illicit trade

LOSS of jobs, salary cuts and reduced employment opportunities are causing financial difficulties for many consumers throughout Malaysia and this situation is set to fuel illicit trade exponentially, said global consumer advocacy group Consumer Choice Center (CCC) in a statement today.

The comment from CCC came following the recent Department of Statistics Malaysia's (DOSM) Salaries and Wages Report 2020 that found median monthly salaries and wages recording a double-digit decline of 15.6% to RM2,062. In addition, DOSM also reported that Malaysia's unemployed graduates rose by 22.5% in 2020.

"Consumers who are affected by the credit crunch will normally find alternative ways and means to cut their spending. This will naturally open up demand for illicit products that are cheaper as they are untaxed and unregulated.

"We have already seen a spike in the illicit tobacco trade from a series of high profile and record-breaking busts made by the Royal Malaysian Police and the Royal Customs Department of Malaysia recently.

"Clearly, consumers are seeking cheaper alternatives to expensive legal cigarettes and criminal syndicates are happily catering to this demand via whatever means necessary," said CCC managing director Fred Roeder.

According to CCC, consumers have the most to lose if illicit trade runs out of control.

Based on a policy paper by CCC titled Illicit Trade is Dangerous for Consumers, the organisation emphasised that the tobacco black market damages public health and has been proven to finance organised crime.

Additionally, illicit trade also targets vulnerable groups in society while consumers are impacted because illegal cigarettes are produced in unsafe environments and using unsafe products.

It also highlighted that small retailers suffer considerably from the tobacco black market as they lose not only legitimate cigarette sales but also other items adult smokers usually buy from them.

"Enforcement alone is not enough to tackle illicit trade. Taking illicit tobacco as a case in point, a total of 11.4 billion sticks of illegal cigarettes is expected to flood the Malaysian market this year, based on the latest Illicit Cigarettes Study (ICS) May 2021 report conducted by Nielsen.

"Enforcement action with illegal cigarette seizures numbering in the millions are a step in the right direction, but unfortunately, it would hardly put a dent in this multi-billion ringgit illicit trade.

“Enforcement must be complemented with political will and pragmatic tax policies. Malaysian policymakers must put a stop to the political bickering and work cohesively towards eradicating illicit trade by empowering enforcement agencies, supporting a multi-national exchange of intelligence and addressing the price differentiation between legal and illegal cigarettes,” concluded Roeder.

<https://www.thestar.com.my/news/nation/2021/08/03/income-crunch-set-to-fuel-illicit-trade>