

## NEWS RELEASE

*For immediate release*

# Illegal Cigarette Syndicates Circumventing Enforcement Measures

**KUALA LUMPUR, 21 May 2021** – Illegal cigarette syndicates are circumventing enforcement measures with new logistic routes and state-of-the-art technologies, said Retail and Trade Brands Advocacy Malaysia Chapter (RTBA Malaysia) today.

The statement from the advocacy group that protects businesses in the Asia-Pacific region from criminal conduct came on the back of a recent statement made by the Director of Bukit Aman Internal Security and Public Order Department, Datuk Seri Abdul Rahim Jaafar, that smuggling syndicates operating along the country's border have moved from using conventional equipment to sophisticated technologies like drones.

**Dato' Fazli Nordin, Managing Director of RTBA Malaysia**, said, "Based on the analysis made by RTBA Malaysia, smuggling syndicates are changing the way they operate as a reaction to the enhanced enforcement measures put into place in Budget 2021 to counter the illegal cigarettes trade.

"Large ports in Malaysia used to be the primary route for the illegal cigarettes trade. With new restrictions in place, these criminals are now utilising small private jetties and unofficial landing spots throughout Malaysia's coast to bring in their illegal and untaxed products," he said.

According to Dato' Fazli, the authorities have reported that they have seized a total of approximately 76.2 million sticks of illegal cigarettes that came through the coastal route in the first quarter of 2021 alone. He explained that this marked a significant jump when compared to 34 million sticks of illegal cigarettes seized in the whole of 2020, as reported in the news. "Clearly, the massive uptick in coastal illegal trafficking shows that these criminals are changing their modus operandi and are putting in place a new logistic eco-system that take advantage of Malaysia's long and lightly guarded coastline.

"The coastal route requires detailed coordination as many modes of transportation are used. Large cargo ships are used to transport illegal cigarettes multi-nationally in international waters, while smaller boats are used to carry these goods into Malaysian waters. Fishing boats and *speed boats* will then pick up the goods from these boats offshore and bringing them to land in an unguarded coastal area. Finally, lorries and vans will transport these goods to undisclosed warehouses or staging points for distribution," Dato Fazli explained.

In view of this development, Dato' Fazli believes that any progress made by the enhanced enforcement measures in Budget 2021 to tackle the illegal cigarettes trade will be short-lived once these criminal syndicates solidify their new logistic system.

"It is basically a factor of demand-and-supply. Demand for cheap illegal cigarettes will continue to be high as legal cigarettes are just too expensive. Criminal syndicates will naturally take advantage of this high demand and do whatever it takes to make huge profits at the expense of our Government's revenue and national economy," he added.

RTBA Malaysia recommends that the Malaysian Government strive to strengthen its efforts to curb the illegal cigarettes trade. "More resources and attention needs to be focused on securing our coastline across the country. Just like these criminal syndicates, our enforcement agencies must also look into embracing new technologies and deploying innovative methods to be one step ahead of them."

"As importantly, policies to address the wide price gap between legal and illegal cigarettes must be considered and put into place. The upcoming Budget 2022 must include clever reforms that address the demand factor so that these criminal syndicates will find illegal cigarettes trafficking to be an unprofitable venture," Dato' Fazli concluded.

At the tabling of Budget 2021 last year, the Finance Minister, YBM Senator Dato' Sri Tengku Zafrul, announced that the Multi-Agency Task Force will be strengthened with the participation of the Malaysian Anti-Corruption Commission and the National Anti-Financial Crime Centre. He also outlined several measures that would help to reduce the number of illegal cigarettes in the country. These include a freeze on the issuance of new import licenses for cigarettes, tightening the renewal of import licenses for cigarettes, limiting transshipment of cigarettes to dedicated ports, imposition of tax on the import of cigarettes with drawback facilities for re-export, disallowing transshipment of cigarettes and re-export of cigarettes by small boats, and making cigarettes and tobacco products taxable goods at all duty-free islands and any free trade zones that have been permitted retail sales of duty-free cigarettes.

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### **About Retail & Trade Brands Advocacy Malaysia**

The RTBA Malaysia Chapter is the subdivision of RTBA, headquartered in Victoria, Australia. It is a coalition of business, retailers and trademark holders working to protect the retail and supplier industries in the Asia-Pacific region from the impact of criminal conduct. RTBA's focus is to unite, mobilise and advocate for effective change in regulatory, financial and taxation issues affecting the supply chain.

Today, RTBA continues to play an active role in the efforts to enhance product security and increasing penalties for criminals involved in black market operations; stamp out illegal activities including counterfeiting, piracy and illicit trade of consumer goods; protect brands & IP rights of suppliers, manufacturers, trademark owners and consumers as well as to provide positive regulatory and taxation solutions for all constituents of retail trade and supply chains.

More information at [www.rtbamalaysia.com](http://www.rtbamalaysia.com).

Issued on behalf of: Retail & Trade Brands Advocacy Malaysia

By: Acendus Communications Sdn Bhd

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