Resolution on the tobacco agreement (PMI agreement)

2016/2555(RSP) - 09/03/2016 - Text adopted by Parliament, single reading

The European Parliament adopted by 414 votes 214, with 66 abstentions, a resolution on the tobacco agreement of 9 July 2004 on intensifying the fight against fraud and cigarette smuggling concluded between Philip Morris International (PMI) and affiliates, the Union and its Member States (PMI Agreement).

The text adopted in plenary was tabled by the S&D, Greens/EFA and EFDD groups.

The core aim of the PMI agreement is to reduce the prevalence of PMI contraband on the illicit EU tobacco market. Illicit trade in tobacco products, in particular smuggling of contraband and counterfeit cigarettes, costs national and EU budgets, at a conservative estimate, more than EUR 10 billion in lost public revenue per year.

In its technical assessment of the PMI agreement, the Commission concluded that its objective of reducing the prevalence of PMI contraband on the illicit EU tobacco market has bene effective, as shown by a drop of around 85 % in the volume of genuine PMI cigarettes seized by Member States between 2006 and 2014. However, it noted that the Commission questions the causality of this result, and also highlights the fact that the reduction in PMI contraband **has not led to an overall reduction in the number of illicit products on the EU market**. Contraband consisting of smuggled products from the large manufacturers has been increasingly replaced by other products, including non-branded cigarettes (‘**cheap whites**’) typically produced in third countries.

Moreover, Members are deeply concerned that the budget of the European Anti-Fraud Office (OLAF) is partly financed by yearly payments from the tobacco industry, as mentioned in the tobacco agreements, since this could lead to a certain conflict of interest.

In this regard, Parliament asked the Commission **not to renew, extend or renegotiate the agreement with PMI beyond its current date of expiry**, that being 9 July 2016. On the other hand, the Commission is urged to pursue prompt ratification of the World Health Organisation Framework Convention on Tobacco Control to Eliminate Illicit Trade in Tobacco Products. 15 countries have ratified the Protocol so far, including five EU Member States, and that the EU is currently preparing to ratify it.

The Commission is urged to take immediate steps to **ensure the full transposition of the Tobacco Products Directive** (Directive 2014/40/EU of the European Parliament and of the Council) **in all Member States**. This Directive already provides for a legal requirement for tobacco companies to introduce and maintain a track-and-trace system which must be operational for cigarettes and roll-your-own tobacco products from 20 May 2019, and for other tobacco products from 20 May 2024.

Parliament urged the Commission to **put in place, at EU level and by the date of expiry of the PMI agreement, all the necessary measures to track and trace PMI tobacco products**, and to bring legal action for any illegal seizures of this manufacturer’s products until all provisions of the Tobacco Products Directive are fully enforceable, so that there is no regulatory gap between the expiry of the PMI agreement and the entry into force of the TPD and FCTC.

Lastly, the Commission is called upon to **bring forward a new, additional regulation** establishing an independent track-and-trace system and applying due diligence (‘know your customer’) provisions to raw

cut tobacco, filters and papers used by the tobacco industry, as an additional tool to combat contraband and counterfeit products.