“In recent years, several Southeast Asian countries have successfully raised tobacco taxes. But they're often evaded through counterfeiting, smuggling and illicit tobacco production. We aim to strengthen the local evidence base on tobacco tax evasion, and foster a network of economic researchers in the region to encourage positive, lasting change.”

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| Dr Ronald Mendoza | Principle Investigator 
Dean and Associate Professor | Ateneo School of Government    | Philippines and 
Southeast Asia | Project Management, Policy research, Economic analysis | January 2019 - December 2021 (36 months) |

INTRODUCTION

While Southeast Asian countries have witnessed advances in the adoption of tobacco taxes, the evasion of taxation through illicit tobacco trade remains a significant challenge. The illicit trade market robs governments of tax revenue - estimated at US $40.5 billion a year, worldwide - and does nothing to curb tobacco-related disease and death.

Such dynamics have been documented to diminish the fiscal and public health gains of cigarette levies by making low-priced tobacco products available, especially for low-income groups. A 2009 study found that both the Philippines and Indonesia featured some of the largest illicit cigarette consumption figures in the world, having as many as 19 and 14 billion illicit cigarettes sold, respectively, within their borders each year.

But, there is a significant lack of reliable evidence on the impact of tobacco tax hikes on illicit tobacco trade. This means that erroneous statistics are presented in policy discussions, where the tobacco industry argues against strong tobacco taxation. Their inaccurate data supports the claim that tax hikes would encourage and increase illicit trade.

Major advances can be achieved in Southeast Asia by strengthening the reliability of local evidence concerning illicit tobacco consumption, as well as by improving the robustness of the methods being used to generate such evidence across developing countries.
THE RESEARCH

The project is led by the Ateneo School of Government, the largest private university-based school of government and public policy in the Philippines. It boasts 20 years’ experience in delivering leading policy research, and in advancing good governance reforms.

This project will respond to the knowledge gaps concerning tobacco tax evasion in the Philippines and Southeast Asia. Through a mixture of desk research, interviews, and econometric analysis, the team will conduct research on tobacco tax evasion and illicit tobacco trade, considering both gender and socio-economic factors. They will also look for information on the long-term health and productivity costs associated with illicit tobacco use.

This data will be used to estimate the fiscal, health and economic costs of illicit tobacco trade in Southeast Asia, and ultimately to develop a new tobacco tax evasion index that will be piloted for several Southeast Asian countries. By creating these more reliable metrics of the extent and impact of tax evasion and illicit trade in different Southeast Asian countries, the project will pave way for more evidence-based discussions and debates concerning tobacco taxation and illicit tobacco in the region.

Parallel to this, the team will also establish a fellowship initiative for economists and policy researchers from across the region. Along with such fellows, the team will influence policymakers and the tobacco control community through high-level roundtable discussions, presentations in tobacco control-related events, and a culminating international conference in 2021.

IMPACT

Tobacco control is central to meeting the United Nations 2030 Sustainable Development Goals (SDGs), notably SDG 1—to end poverty—and SDG 3—to ensure healthy lives. This project aims to improve the implementation of tobacco taxation in Southeast Asia by strengthening the local evidence-base concerning tobacco tax evasion, using transparent, cost-effective methods that can be replicated in other developing countries where necessary data is available. The team will also foster and capacitate a network of economic researchers across the region able to analyse the scope and impact of tobacco tax-related issues, especially upon women from low-income households.

In the long-term, the project aims to ensure, firstly, that policy discussions in Southeast Asian countries concerning tobacco tax evasion and illicit tobacco are informed by only the most robust, empirical evidence, and secondly, that new relationships are forged between the tobacco control, tax policy reform, and good governance communities in the region.

Through workshops and the culminating conference, the project will also ensure that the same methodologies will be made accessible to other policy stakeholders affiliated with the tobacco control community in the region.