

# Public Perceptions of Smuggling of Heavily Taxed Goods

## A summary of an opinion poll

*Vilnius, May 2004*

### Goals of the survey

The purpose of this survey was to elicit public perceptions of smuggling of heavily taxed goods, including cigarettes, alcoholic drinks, fuel and sugar, the spread of illicit consumption of these goods and the causes, peculiarities and trends in smuggling. The survey was designed to find out about Lithuanian people's personal experience with regard to smuggling, the degree of tolerance of smuggling and illicit consumption and public perceptions of the effectiveness of administrative and legal anti-smuggling policies. All of the survey questions referred to cigarettes, alcoholic drinks, fuel and sugar. The survey did not cover such illicit goods as guns, drugs, etc.

In this survey smuggling is understood as the carrying of goods through the state border without submitting them for customs control and thus avoiding taxation. Consumption of smuggled goods refers to consumption of goods smuggled into the country.

### Methodology

This opinion poll was carried out by a public opinion and market research company "TNS Gallup" in May 2004. The principle of an Omnibus poll through a method of direct interview at a respondent's place was used.

A total of 1,003 respondents were interviewed during this opinion poll. The findings of this opinion poll represent all inhabitants of Lithuania aged 15 to 74.

Respondents were selected through random multiple sampling. In the first round a geographical distribution of sampling was made. Geographically the sampling reflects general proportions of inhabitants in specific regions. The latest data of the Department of Statistics of the Republic of Lithuania were used. In the second round primary sampling points, i.e. addresses which were a starting point of the sampling tour, were randomly selected from the database of the Residents Register of the Department of Statistics. A total of 117 primary sampling points were used. Afterwards households set to participate in the opinion poll were selected. This sampling was carried out by a method of tour sampling. Starting from the primary sampling point, every tenth apartment in a city or town (or every fifth apartment in a village) was visited. A rule of "the youngest man" was used to select a specific respondent who was asked to participate in the survey.

The interviewed sample reflects precise proportions of Lithuanian residents according to social-demographic characteristics, including gender, age, nationality, education and the place of residence.

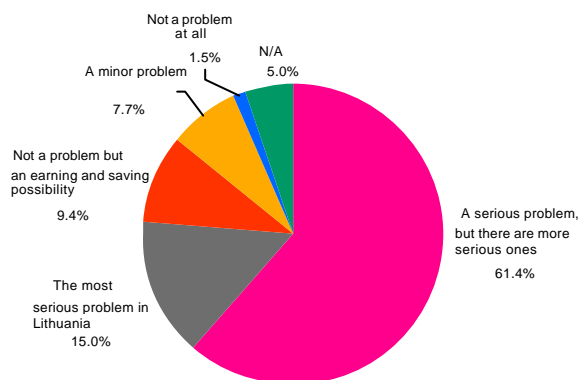
In evaluating the results of the survey, it is important to make allowance for statistical error. Statistical error occurs when a sample of respondents, not a complete survey, is used. The sample used in this opinion poll guarantees with a 95-percent likelihood that the statistical error of the results of this opinion poll does not exceed 3.1 percent.

## 1. Public perceptions of smuggling

### 1.1. Awareness of the problem of smuggling

This opinion poll was designed to find out how aware people in Lithuania are of the problem of cigarettes, alcohol, fuel and sugar smuggling.

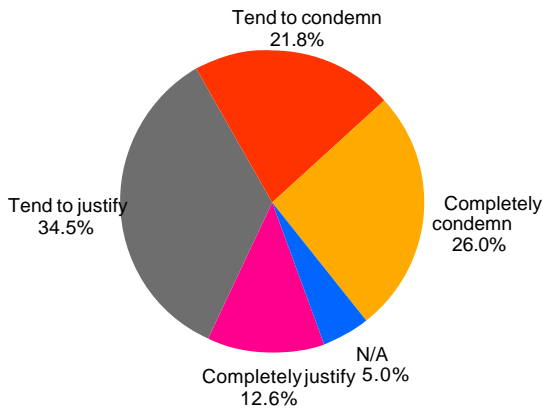
More than half of those polled (61 percent) think that smuggling of cigarettes, alcohol products, fuel and sugar is a serious problem in Lithuania but there are more important problems than this. Of those polled, 15 percent think that smuggling is the most serious problem in Lithuania. Almost every fifth Lithuanian resident considers smuggling to be a minor problem or not a problem at all.



Smuggling seems to be a serious problem mainly for persons aged 15-29, persons with higher education and the highest income (above 400 litas per month per head) and city dwellers (with more than 30,000 inhabitants). Those who think that smuggling is the most serious problem in Lithuania are found mostly among middle-aged persons, people with secondary education and the lowest income (below 150 litas per month).

### 1.2. Attitudes towards smuggling

This opinion poll was used to elicit the degree of people's tolerance of smuggling. The results show that half of those polled (47 percent) completely justify or tend to justify smuggling, while the other half (47.8 percent) condemn or tend to condemn smuggling. Interestingly, those who do not tolerate smuggling at all are twice as many in number as those who completely justify it.

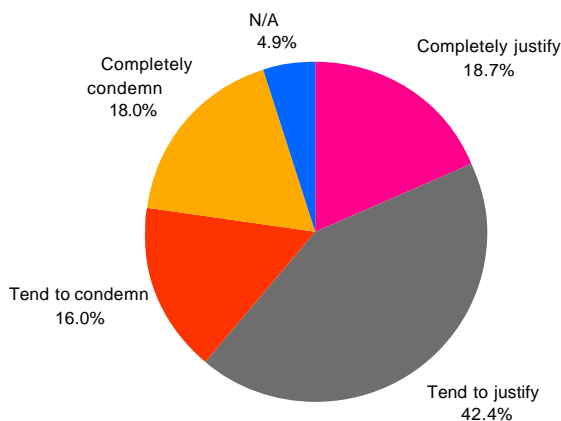


Smuggling is mostly justified by men, persons aged 20-39, persons with basic, secondary or higher non-university education levels, low-income individuals (below 250 litas per month) and town and rural dwellers. Men, persons aged 30-39 and individuals with the lowest income and basic education constitute the majority of those who completely tolerate smuggling. The biggest share of the respondents who do not justify smuggling was found among persons with higher education (43.2 percent) and the highest income (32 percent) and city dwellers (36.7 percent).

### 1.3. Attitudes towards consumption of smuggled goods

The opinion poll was used to elicit the degree of people’s tolerance of consumption of smuggled goods. The results show that consumption of smuggled goods is tolerated to a greater degree than smuggling *per se*. More than half of those polled (61 percent) completely justify or tend to justify consumption of smuggled goods, while a third of the respondents (34 percent) condemn or tend to condemn illicit consumption. These findings reflect consumer attitudes towards smuggling.

Unlike in the case of smuggling, the proportions of those who completely justify consumption of smuggled goods and those who completely disapprove of it are equal (18 percent each), while the percentage of the respondents who tend to justify illicit consumption is more than 2.5 times bigger than the proportion of those who tend to condemn it.

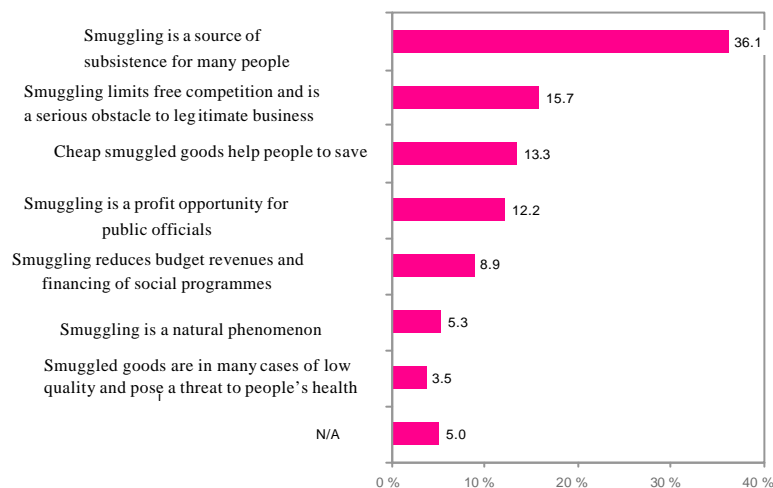


Just like in the case of smuggling, those who tolerate consumption of smuggled goods are more often found among men, persons aged 20-49, persons having basic, secondary or higher non-university education, representatives of the lowest income group (under 150 litas per month) and town and rural

dwellers. Those who condemn illicit consumption are mostly found among youth (15-19 years of age), persons with higher education and the highest income and inhabitants of Lithuania’s two largest cities (Vilnius and Kaunas).

#### 1.4. Public perceptions of smuggling

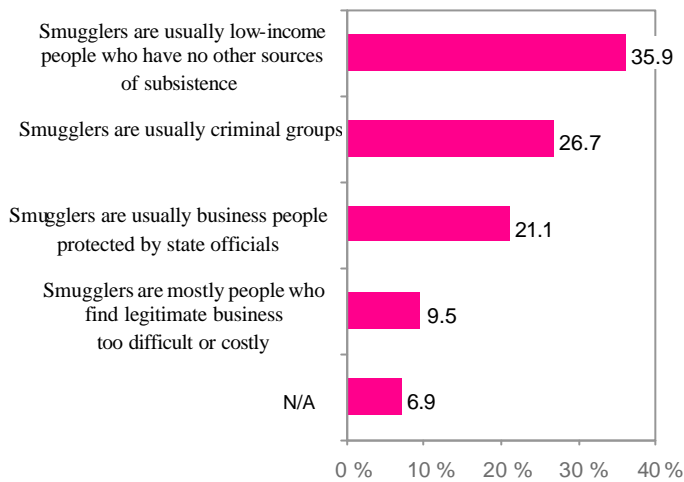
In order to elicit people’s opinions about smuggling, we presented to the respondents various statements about smuggling and asked them to indicate which of them best reflected their opinion. The biggest share of those polled, 36 percent, think that smuggling is a source of subsistence for many people in Lithuania. Other common views are that smuggling restricts free competition and is a serious obstacle to legitimate business, smuggling helps people to save and smuggling presents a profit opportunity for civil servants.



Those who think that smuggling is a source of subsistence for many people are mostly found among persons 40-49 years of age, persons with primary and higher non-university education, low-income (under 250 litas) individuals and rural dwellers. Persons with higher education and the highest income and inhabitants of Lithuania’s two largest cities are the most sceptical in this respect. The findings of the opinion poll show that smuggling as a source of subsistence is less relevant for city dwellers, educated persons and people representing high-income groups.

#### 1.5. Perceptions of smugglers

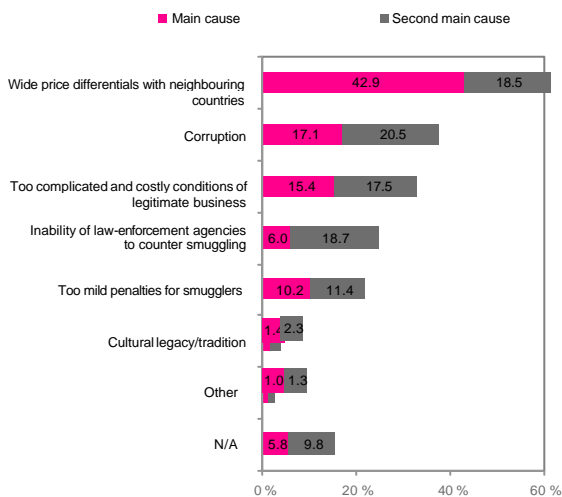
The participants in the opinion poll were asked to indicate which of the statements about smugglers that were presented to them best reflected their personal opinion. The most popular belief is that smugglers are people with low income and no other sources of subsistence. More than a third of those polled (36 percent) share this understanding. These results coincide with the findings about people’s attitudes towards smuggling *per se*, whereby the same proportion of the respondents think that smuggling is a source of subsistence for many people in Lithuania. About a fourth of those polled think that smuggling is the business of criminal groups, while a fifth think that it is business people connected to state officials that engage in smuggling the most.



## 2. Public perceptions of causes of smuggling

### 2.1. The causes of smuggling

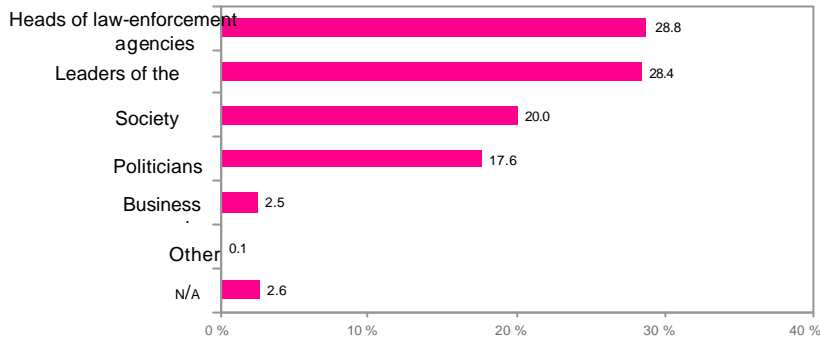
Participants in the opinion poll were asked to indicate the main causes of smuggling in Lithuania out of the causes listed in the questionnaire. Most of those polled think that large price differences with neighbouring countries, caused by high (excise) taxes, are the main reason for the spread of smuggling in Lithuania. Corruption and complicated and costly conditions of legitimate business are other important causes of smuggling. A fifth of the respondents indicated the inability of law-enforcement agencies to fight smuggling. According to the opinion poll, people in Lithuania do not think that inadequate penalties for smugglers provide a strong incentive to engage in contraband.



### 2.2. Responsibility for the spread of smuggling

People in Lithuania think that the responsibility for the spread of smuggling falls mainly on heads of law-enforcement agencies and leaders of the state. A total of 28 percent of those polled share this

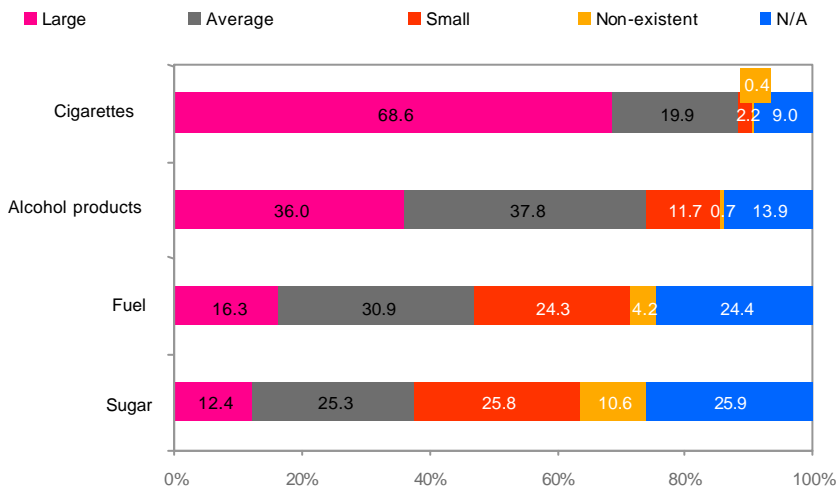
opinion. A fifth of the respondents think that the whole society bears responsibility for the spread of smuggling, while another fifth imputes it to the country's politicians. A mere 2.5 percent of those polled put the blame on business people.



### 3. The scope and traits of smuggling and illicit consumption

#### 3.1. The scope of illicit consumption

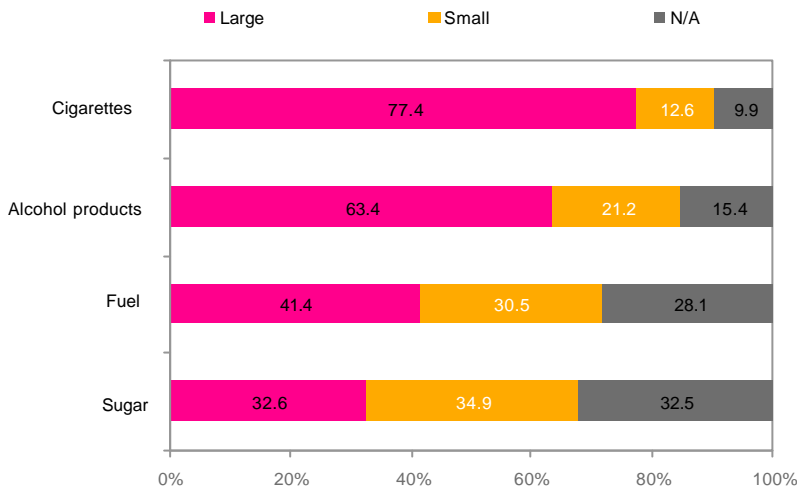
Respondents in the opinion poll were asked to evaluate the scope of consumption of smuggled goods in Lithuania. According to those polled, smuggled cigarettes are the most popular of all the goods under discussion. Illicit alcohol consumption ranks second. Smuggled sugar is the least widespread of the analysed goods. A fourth of the respondents were not able to express their opinion about the spread of smuggled fuel and sugar.



#### 3.2. The scale of smuggling

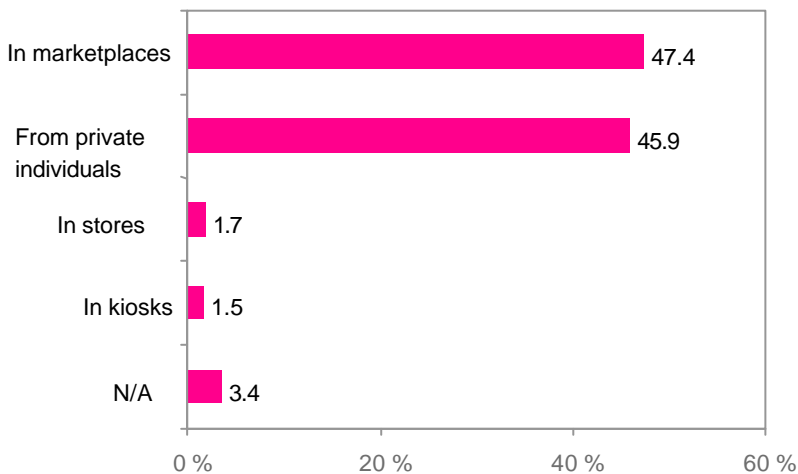
Most of those polled think that smuggling of cigarettes and alcohol products is mainly conducted on a large scale. Smuggling of fuel is also believed to be large-scale rather than small-scale. In the case of sugar the respondents split into two almost equal groups (one-third each). Still, the opinion that sugar

smuggling is mainly conducted on a small is slightly more popular. About a third of those polled have no opinion about the scale of sugar smuggling.



### 3.3. Places of purchasing smuggled goods

The people polled were asked where, to their knowledge, smuggled goods were usually bought. Almost half of those polled think that smuggled goods are mostly purchased in marketplaces, while the other half believes that they are usually obtained from private individuals. The opinion poll shows that smuggled goods are rarely bought in stores or kiosks.

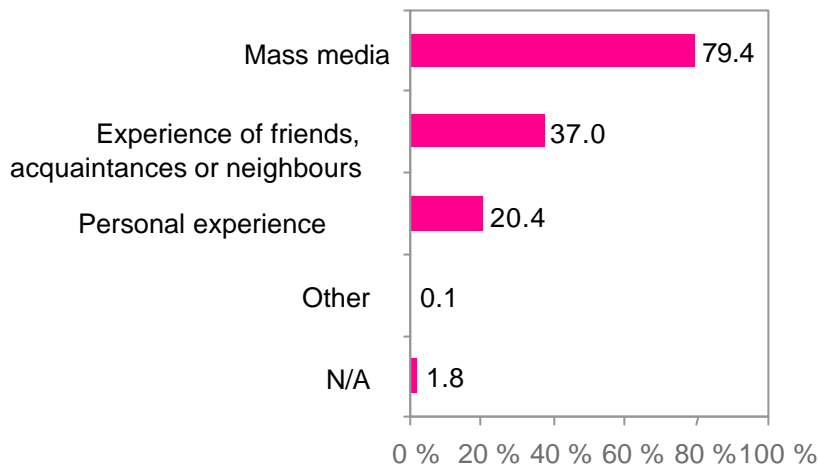


## 4. Personal experience

### 4.1. Sources of information about smuggling

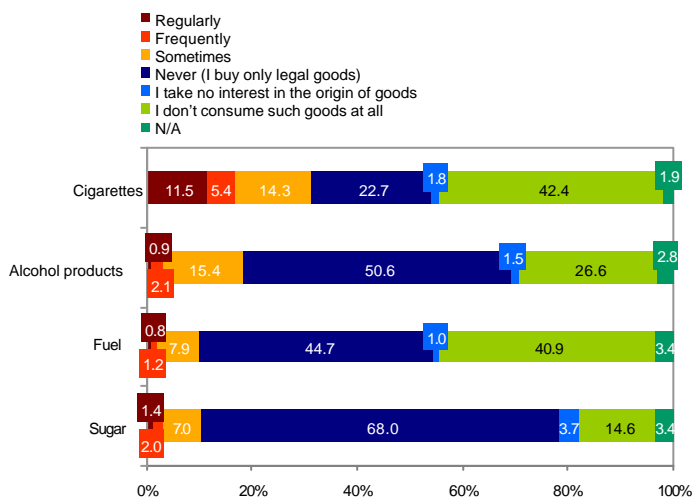
Mass media are the main source of information on smuggling, according to the results of the survey. A total of 80 percent of those polled reported that mass media was the main source of information about

smuggling. More than a third of the respondents obtain information about smuggling from friends, acquaintances or neighbours. Every fifth Lithuanian resident bases their knowledge about smuggling on their own experience.



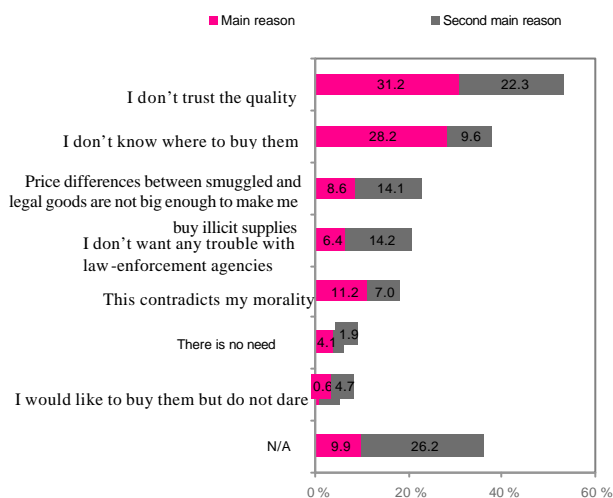
#### 4.2. Frequency of purchases of smuggled goods

The respondents were asked how often they personally bought smuggled cigarettes, alcohol products, fuel and sugar. The opinion poll shows that smuggled cigarettes are the most popular of all the goods under discussion. Almost a third of those polled (31 percent) and more than a half of cigarette consumers buy smuggled cigarettes at least once in a while. About a third of all cigarette consumers buy illicit cigarette supplies regularly or frequently. Almost every fifth respondent (18.4 percent) and almost every third alcohol consumer at least sometimes buy smuggled alcohol products. According to the survey results, every tenth survey participant buys smuggled sugar and fuel. As to consumers of fuel and sugar, almost a fifth of all fuel consumers purchase illicit fuel supplies, whereas more than a tenth of sugar consumers buy smuggled sugar.



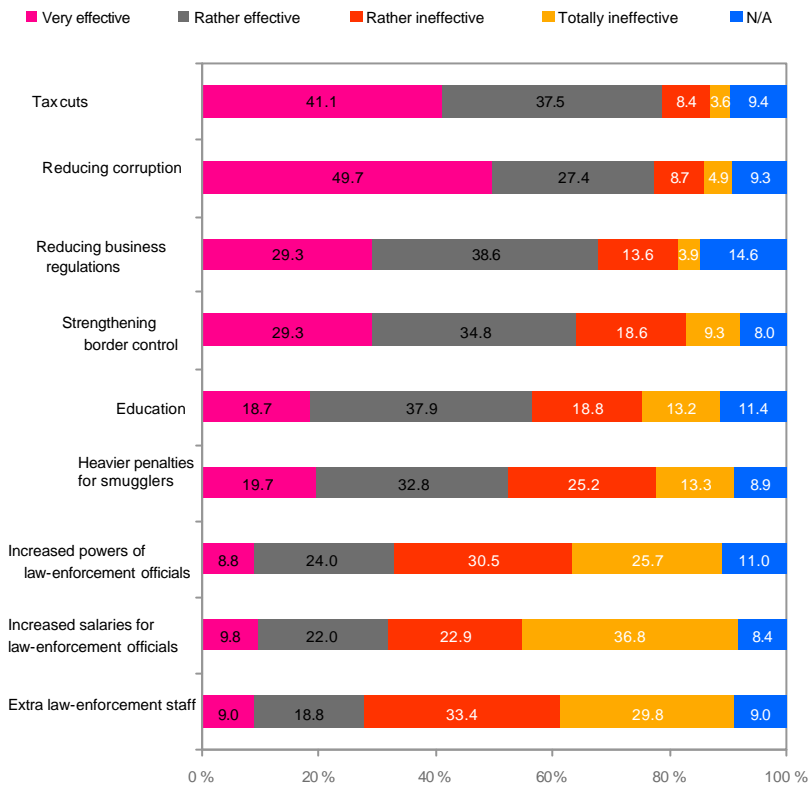
### 4.3. Reasons for not buying smuggled goods

Those respondents who said they never bought at least one of the smuggled goods under analysis were asked to indicate the main reasons why they did not buy them. Half of those polled reported that a lack of confidence in the quality of smuggled goods was one of the main reasons for not buying them. More than a third of the respondents said they did not buy illicit supplies because they did not know where to buy them. Other, less important reasons for not buying smuggled goods are insufficient price differences between smuggled and legal products, unwillingness to have trouble with law-enforcement agencies and morality.



### 5. Assessment of anti-smuggling policies

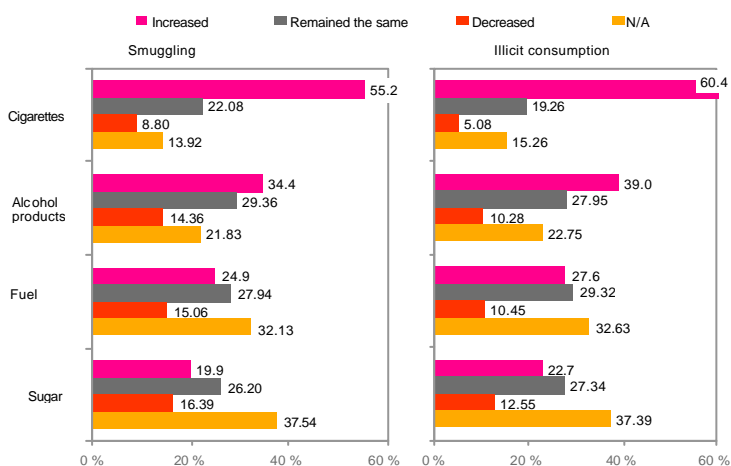
People in Lithuania think that tax cuts and a reduction of corruption are the most effective policies to counter smuggling, according to the results of the opinion poll. Reducing government regulations that constrain business activity and strengthening border control are also believed to be effective in fighting smuggling. Education and heavier penalties for smugglers are included among effective anti-smuggling measures too. People think that increased powers, salaries and staff of law-enforcement agencies would not help to combat smuggling.



## 6. Recent and future trends in smuggling and illicit consumption

### 6.1. Changes in smuggling and illicit consumption over the past three years

More than half of those polled think that cigarette smuggling and illicit cigarette consumption have grown the most in the past three years. People in Lithuania think that smuggling of all goods under analysis has expanded rather than shrunk in recent years. It is important to note, however, that the biggest proportion of those polled could not evaluate changes fuel and sugar smuggling and illicit fuel and sugar consumption.



## 6.2. Changes in smuggling and illicit consumption over the next three years

Cigarette smuggling and consumption of smuggled cigarettes will continue to grow in the next three years, according to the opinion poll. People in Lithuania do not predict any major changes in the scope of alcohol and fuel smuggling, while the smuggling of sugar is expected to decrease.

