

Research Findings: Illicit Hubs, Tobacco Trade and Convergence with Illicit Commodities

Research Report

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*This document [report/research paper] is a part of the research on illicit cigarette trade in the areas of Naples (Italy), Salerno (Italy), and North Africa and France. It analyzes the sources of this trade and the possible convergence of such trade with other forms of crime and illicit flows in the Mediterranean and from Eastern Europe. It was funded by Philip Morris Products S.A., an affiliated company of Philip Morris International (“PMI”). In the performance of its research, the authors maintained full independence from PMI. The views and opinions expressed in this document are those of the authors and do not necessarily reflect the views of PMI.

Executive Summary

The objective of this integrated report is to analyze the illicit flows of tobacco products into and through Europe. This integrated analysis focuses on research of illicit cigarette flows from Eastern Europe, the Middle East, and Northern Africa. The locales of France and Italy, particularly, Naples and the surrounding region were chosen for analysis because of their key role in the illicit cigarette trade. France has the largest consumption rate of Contraband and Counterfeit cigarettes in Europe at 13.1% and Naples remains the key consumption hub in Italy.

In France, the key source for illicit cigarettes is Algeria, a focal point of this study. In Naples, Italy illicit whites account for 61% of the market.¹ The source of these illicit cigarettes in Italy was once China, and then Belarus, but has increasingly shifted to Ukraine. The purpose of this study is to understand how the source countries influence the illicit trade and how domestic actors in France and Italy interact with the sources of supply.

Key Findings:

- Conflict regions such as Ukraine is a source for Italy, and several countries in North Africa (Algeria, Tunisia and Morocco) are important source or transit countries for illicitly traded cigarettes in France.
- There is an abundance of evidence revealing the convergence of the smuggling of tobacco products with other forms of crime, including human and drug trafficking, and money laundering, along the same supply routes.²
- Organized crime groups both large and small are key to this trade, which is facilitated by corruption along the supply chain. The centrality of the Camorra and other crime groups in Southern Italy help explain why Naples is a key consumption hub in Italy. In France, long term smuggling routes, connecting North Africa and Southern France have existed since Ottoman rule and account for the established illicit trade routes.

¹ KPMG, “Project Sun Results, for 2017”,

<https://public.tableau.com/profile/project.sun#!/vizhome/CountryReport2017/CountrySelection>.

² Yulia Krylova, “New Trends and Developments in Illicit Flows of Tobacco Products, from Eastern Europe to the EU,” Terrorism, Transnational Crime and Corruption Center, 2018, George Mason University.

- Conflict regions in both Eastern Europe and Ukraine, as well as North Africa, have been key in the illicit cigarette trade. These areas have increasingly become sources of supply of illegal cigarettes replacing some of the counterfeit trade of cigarettes that emanated from China.
- Cigarettes and other tobacco products are common contraband because of their easy maneuverability, low seizure rates, low penalties for the smugglers if caught, and significant profit rates in all jurisdictions examined.
- Tobacco smuggling/contraband is both a significant source of revenue for organized crime groups and results in significant loss of taxes for states. It is facilitated by corruption at different levels and significant money laundering.³
- Traditional trade routes from the Ottoman period that were often used to smuggle goods have been adapted to present market conditions and are used to smuggle cigarettes and other goods. These Ottoman era routes include those from North Africa into Southern Europe and from the Balkans into parts of Central and Western Europe.
- Subterfuge, innovation and reliance on fraudulent documents are key to the illicit cigarette trade.
- Illicit trade in cigarettes includes every type of transport ranging from mules and horses to modern drones, revealing the potential of new technologies.
- High levels of illicit tobacco consumption in France (the highest in Europe) and in Naples, Italy reflect specific local conditions, attitudes towards law, availability of contraband, and rates of taxation.

³ Hanan Benyagoub and Xavier Raufier, "Illegal Flows and Traffics Southern Europe-Maghreb: Geopolitical Perspective and Criminological," Terrorism, Transnational Crime and Corruption Center, 2018, George Mason University.

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Tobacco Products and Illicit Trade Flows

The illicit cigarette trade is defined as “the production, import, export, purchase, sale, or possession of tobacco goods which fail to comply with legislation.”⁴ The illicit cigarette trade, also informally known as buttlegging,⁵ is a multibillion dollar industry and is driven by tax evasion, easy maneuverability, weak legal consequences, and often times is amplified by instability in source regions. For example, in the European Union, the market for illegal cigarettes is about 8.7% of the total, representing a tax loss of about 10 billion euros per year.⁶ Further, significant variations in the prices of cigarettes throughout the European Union makes smuggling highly profitable.

Research in both source and in destination countries, particularly in the Naples region, revealed that smuggling is often seen as a “victimless crime” and, therefore, not given the attention that it deserves. Smuggling does, however, in fact affect the political and economic situation of countries.⁷ This report intends to increase transparency and awareness on the problem of illicit cigarette smuggling into key hubs within the European Union, as well as to offer policy recommendations for combating this transnational illicit trade.

Forms of illegal and illicit tobacco products:

1. **Contraband:** cigarettes smuggled from abroad without domestic duty paid
2. Cigarettes produced in legal factories but then smuggled
3. **Counterfeit:** cigarettes manufactured without authorization of the rightful owners, with intent to deceive consumers and to avoid paying duty
4. **Illicit whites:** brands manufactured legitimately in one country, but produced with the intention of the production being smuggled to another

This report will focus on all these types used in illicit trade.

⁴ Financial Action Task Force (2012) ‘Illicit Tobacco Trade’. FATF Report, 1-78.

⁵ <https://en.oxforddictionaries.com/definition/buttlegging>.

⁶ Benyagoub and Raufer; <https://home.kpmg/uk/en/home/insights/2018/07/project-sun-2017.html>.

⁷ Simona Melorio, “Smuggling Cigarettes in Naples,” Terrorism, Transnational Crime and Corruption Center, 2018, George Mason University.

Why is the Cigarette Trade so Large in the Regions Studied?

Tobacco products are one of the top commodities for illicit trade and smuggling. According to the European Border and Coast Guard Agency *Frontex*, tobacco products are the most smuggled excise goods to the EU across its Eastern borders.⁸ This popularity is in part due to the low seizure rate of tobacco products, high profitability, and the fact that they are easily maneuverable with little punishment if apprehended by border control or authorities. The high profits are also a stimulus. The largest source of illicit cigarettes identified in France come from Algeria where packets can retail for a euro a pack whereas the retail price in Paris is 8 euros in 2019. Looking at these cost differentials is revealing. In Italy, the potential revenues of Ukrainian smugglers could have been as high as 471 million euros (about \$558 million), which is more than a quarter of the related export of legitimate goods.⁹

The revenues are very significant in the developing world where there is a less diversified legitimate economy. According to the customs data from Morocco there were 5.23 million units of counterfeit cigarettes seized in 2017, more than double the 2016 figure of 2.25 million. Seizures in Algeria in 2017 also reveal significant growth over those in 2016. In 2017, 56,038 cartons were seized as opposed to 39,515 and 23,700 in 2015.¹⁰ However, this trend may not necessarily reflect greater production but simply improved government response to the problem. The high level of confiscation of illicit cigarettes is explained, in part by the fact that the Maghreb from Morocco to Egypt represents a significant share of total tobacco consumption in Africa.¹¹ This trade was accompanied by significant money laundering.

High rates of taxation on tobacco products are one of the reasons that smuggling is so high, particularly in France that has one of the highest rates of taxation on cigarettes in Europe. It is important to note that illicit cigarettes sold in the French market include counterfeit and diverted cigarettes as well as illicit whites. Large informal markets in Italy, many of them controlled in the

⁸ Frontex, European Border and Coast Guard Agency. 2017. Eastern Partnership Annual Risk Analysis 2017. Warsaw.

⁹ Ibid.; The Ukrainian export to Italy in 2016 was estimated at \$1,979 million (according to the United Nations COMTRADE available at <https://comtrade.un.org/data/>)

¹⁰ Benyagoub and Raufer, 9-10.

¹¹ Ibid.

South by crime groups, combined with the lower income of southern residents make the south of Italy prime territory for the illicit cigarette trade.

Research analysis

The research for this study was done by researchers with extensive expertise in North Africa, illicit markets in France and Italy as well as the illicit trade out of Eastern Europe. Extensive interviews were done in France, Italy and North Africa with law enforcement and government officials knowledgeable as to the trade. Interviews were conducted with citizens in Italy to understand the dynamics of the trade and researchers did on-the-ground examination of illicit markets. Court cases and newspaper reports of investigations were analyzed to understand more of the trade, the traders and the state response. An analysis of Eastern-European illicit flows of tobacco products was based on the official data published by the State Border Guard Service of Ukraine, the State Border Committee of the Republic of Belarus, the Moldovan Border Police, the Border Service of the Russian Federation, the Romanian Border Police, the Border Guard of Poland, the European Union Agency for Law Enforcement Cooperation (Europol), and the European Border and Coast Guard Agency *Frontex*.

The political context shaping the dynamics of the illicit trade was also examined. For example, the Ukrainian research examined the evolution of the conflict in Ukraine, its impact on citizens and on border controls. The recent conflict in Ukraine has displaced hundreds of thousands of Ukrainians and increased the migrant inflow to the EU. Many of them became victims of human trafficking and got involved in smuggling of cigarettes, drugs, and other illicit goods as a means of survival. Likewise, the political context in North Africa was analyzed, particularly, the evolution of instability in the region after the Arab Spring and the concomitant rise in the illicit economy.

The Perpetrators of the Illicit Cigarette Trade

The research revealed a diverse array of perpetrators and facilitators. While crime groups are very much involved in this trade, corrupt officials and business people are significant participants in both source and destination countries. Vulnerable refugees and displaced peoples as well as those with limited incomes also play a key role in the lower levels of the trade in all the areas studied. Migrants without authorization to work are often the sellers in this market as identified by an audio

interview at the French National Museum of Immigration with an illegal migrant from North Africa, living in Southern France on the margins of society.

His voyage out of Africa started on a precarious boat that crossed the Mediterranean several years before the mass transports of today. He arrived in impoverished Southern Italy and found no work. He made his way farther north in Italy, still finding no employment. Then, he crossed into France, and made his way to Paris. There, he explained, were no better prospects to make money. He moved south, this time settling in Marseille. He ended his tale reporting he had found a way to survive—selling cigarettes.

What the migrant does not mention is that most street cigarette vendors of Marseille, a city with some of the poorest neighborhoods in Europe, are selling illicit ones.¹² One form of illegality lies within another—irregular migrants, without the right to work, sell smuggled cigarettes. This man, vulnerable to exploitation and arrest, shares the fate of many recent illegal immigrants in different regions of the world, who have no possibility to participate in the legitimate economy.¹³

A similar situation was found in the Naples-based research. Immigrants are vulnerable and always in an inferior position compared to members of the Camorra clans. Migrants without a right to work are marginalized as there is an absence of integration policies or of access to legitimate work opportunities in Italy. Therefore, like their counterparts in France, they join the illicit economy. The immigrants must ask permission of the Camorra clans and pay “pizzo” (money) to carry out their criminal activities in the clan-controlled neighborhoods. Sometimes they receive a few pennies from the clan for the commission of some illegal activity. Recently the preparation of falsified documents, long a Camorra specialty, has been delegated, at least in Naples, to Pakistani immigrants, in order to evade sanctions.

The French research team also defined another type of perpetrator of the illicit cigarette trade not identified in the Naples-based study. This is the presence of “hybrids”, individuals with associations with both crime and terrorism who are involved in the trade. This was particularly a problem with AQIM in North Africa under the leadership of Belmokhtar, known as Mr. Marlboro

¹² “Up to Two-Years Behind Bars for a Cigarette-Trafficking Network,” December 4, 2017. Accessed Jan. 31, 2017, https://www.eurobsit.eu/article/up-to-two-years-behind-the-bars-for-a-cigarette-trafficking-network_2-2.

¹³ See Louise I. Shelley, *Dark Commerce: How a New Illicit Economy is Threatening our Future* (Princeton: Princeton University Press, 2018), 150.

but his networks did not stretch into Europe.¹⁴ Although he is reported to have been killed, the role of hybrids remains a particular problem in North Africa. These hybrids are also present, to a much lesser extent, among the diaspora community in France.¹⁵ The French research team, having interviewed government officials, also expressed concern that jihadis returning from Syria and Iraq to Algeria, Morocco and Tunisia, may assume a role in this illicit trade in the future.

Migrants without a right to work are marginalized, as there is an absence of integration policies or of access to legitimate work opportunities in Italy. Therefore, like their counterparts in France, they join the illicit economy

The sale of almost 7.6 billion illegal cigarettes in France in 2017 points to a large group of facilitators between the source and the street markets.¹⁶ This movement of product is not only done by “ants” who carry a few cartons of cigarettes at a time. It requires the complicity of shippers and vendors in Algeria, as well as there are allegations of the involvement of high-level officials and workers at French and Spanish ports. Individuals must load the trucks from the ships.¹⁷ Pipelines are created that allow tobacco, drugs, people and counterfeits to pass along the same routes from North Africa into Southern Europe. These commodities may travel together through the pipelines or may flow through separately at different times.¹⁸

Large quantities are moved by airplanes, vans, buses as well as trucks.¹⁹ Drivers, both knowingly and unknowingly, move large quantities of illicit cigarettes overland from Spain to France. Many claim innocence in regards to their clandestine cargo but examining social media provides

¹⁴ Louise I. Shelley, *Dirty Entanglements: Corruption, Crime and Terrorism* (Cambridge and New York: Cambridge University Press, 2014), 1-3.

¹⁵ Benyagoub and Raufer, 4.

¹⁶KPMG, “Project Sun Results,” <https://home.kpmg/uk/en/home/insights/2018/07/project-sun-2017.html>, 10, <https://home.kpmg.com/uk/en/home/insights/2015/05/project-sun-a-study-of-the-illicit-cigarette-market.html>. Project SUN is KPMG’s annual study that estimates the scale and development of the illicit cigarette market in the EU, Norway and Switzerland, commissioned by the Royal United Services Institute for Defence and Security Services.

¹⁷ Shelley, 167.

¹⁸ Benyagoub and Raufer.

¹⁹ “Aéroport Saint-Exupéry: Un passeur de tabac écroulé: il transportait des valises de cigarettes,” *Le Progress*, Jan. 11, 2019; Vincent Gautronneau, “A ‘l’ aéroport, le trafic de cigarettes...décolle ! », *Le Parisien*, Oct. 17, 2018 ; « La bande de Bulgares faisait du trafic de cigarettes, » *Le Parisien*, Jan. 19, 2018.

evidence of a different reality. Despite complaints to Facebook by those trying to arrest this illicit trade, posts on this social medium continue to advise distributors and truck drivers and others moving goods where to pick up contraband cigarette shipments.²⁰ The problem has been identified in France but this is just the tip of the iceberg.²¹ The new media is a force multiplier for the growth of illicit trade, as it lies largely outside of regulation.

The smuggling of tobacco products from Eastern Europe is commonly associated with transnational organized criminal groups. For example, the Balkans serve as an economic hub linking the EU, the Middle East, Turkey, and Eastern Europe, and the region is notorious for migrant smuggling, weapons trafficking, human trafficking, and drug trafficking.²² Albanian organized crime groups are prominent in many forms of illicit trade.²³ Most of the cigarettes that arrive in Naples (almost 80% according to the estimates provided by the Finance Police) come from Eastern Europe and are “cheap whites”.²⁴

The smuggling of tobacco products from Eastern Europe is commonly associated with transnational organized criminal groups.

Ukraine, a conflict-ridden country with rampant corruption and ineffective border controls, is now the source of many of these cigarettes. Ukraine has displaced China and as a major supplier of illicit cigarettes to Italy, particularly the Naples region, due to the low cost and efficiency of its smuggling networks. Eastern European countries, with limited law enforcement resources and serious problems of poverty and corruption, are forced to deal with the massive smuggling emanating from Ukraine. This has ripple effects through the region as the following case studies reveal.

In the first half of 2017, the Romanian Border Police confiscated 1.6 million cigarette packs worth

²⁰ Interview with PMI official in France in 2015.

²¹ C. Ben Lakhdar, “Quantitative and Qualitative Estimates of Cross-Border Tobacco Shopping and Tobacco Smuggling in France,” *Tobacco Control* 17, no. 1 (February 1, 2008): 12–16.

²² Europol and Interpol. *Migrant Smuggling Networks*, 2016, <https://www.europol.europa.eu/publications-documents/europol-interpol-report-migrant-smuggling-networks>.

²³ Benyagoub and Raufer, 5; Jana Arsovska, *Decoding Albanian Organized Crime: Culture, Politics, and Globalization* (Berkeley: University of California Press, 2015).

²⁴ Melorio.

16.2 million lei (\$4.26 million) and 579 kilograms of tobacco. In the same period, 18 organized groups and 92 members were identified and arrested on charges of cigarette smuggling in Romania.²⁵ The persons involved in smuggling were Moldovan, Ukrainian, Bulgarian, Armenian and Romanian citizens. In neighboring Moldova, the Border Police Operation detained 64,600 cigarettes in a 10-day period during the Operation “Gemini” launched together with the Western Balkan countries to combat cross-border crime.²⁶

Ukraine and Romania are now suppliers to French markets along with Armenian traffickers. A major international network of cigarette traffickers from these countries was broken up in early 2019. Individuals were apprehended in six regions of France and 21 suspects were arrested.²⁷ They were selling local Armenian brands as well as counterfeit Marlboros as well as genuine Marlboros purchased legally in Eastern Europe where they sold for less.

Organized crime groups, as will be discussed, often combine the illicit cigarette trade with other activities. For example, in August 2017, the Polish Prosecutor’s Office opened a case against an organized crime group consisting of seven Polish citizens and one Ukrainian citizen who transported drugs from Spain through Poland to Ukraine and smuggled illicit cigarettes in the opposite direction.²⁸ The investigation into the economic activities of this organized crime group showed that the defendants imported from Spain over 84 kilograms of marijuana and transported over 100,000 illegal cigarettes from Ukraine, concealing them in spare wheels and a converted fuel tank.²⁹ Many cigarettes flows from Spain to Portugal, UK and Northern Ireland are considered

²⁵ Moldovan Border Police, “Contraband cigarettes, counterfeit documents, currency and ammunition - the result of operation "GEMINI – 2016," July 18, 2016, <http://www.border.gov.md/index.php/en/home-en/3040-contraband-cigarettes-counterfeit-documents-currency-and-ammunition-the-result-of-operation-gemini-2016>.

²⁶ State Border Guard Service of Ukraine, “Border Guards Continued to Develop Systematically and Reliably Protect the Homeland Borders,” 2017, <http://dpsu.gov.ua/en/news/1495870785-border-guards-continued-to-develop-systematically-and-reliably-protect-the-homeland-borders/>.

²⁷ Camille Allain, “Rennes: Une filière internationale de trafic de tabac démantelée,” 20 Minutes, Jan. 18, 2019, https://www.20minutes.fr/faits_divers/2430383-20190118-rennes-filiere-internationale-traffic-tabac-demantelee; Europol, “French Gendarmerie Capture Key Members of Armenian Mafia,” Jan. 18, 2019, <https://www.europol.europa.eu/newsroom/news/french-gendarmerie-capture-key-members-of-armenian-mafia>.

²⁸ Krylova; Border Guard of Poland. (2017). Eight defendants will stand a trial [in Polish]. Retrieved from <http://www.strazgraniczna.pl/pl/aktualnosci/5343,Osmiu-oskarzonych-stanie-przed-sadem.html?search=4995>.

²⁹ Ibid.

legal, and the majority from Spain to France.³⁰ The involvement of Spain in elements of this illicit trade reveal that the illicit flows from the East are not limited to the two case studies examined in this analysis, France and Italy. They also reveal that the source regions intersect and that not all French illicit trade comes from the North African route and Eastern Europe is another source region for illicit flows.

In a more recent case, in April 2017, two Ukrainian women were arrested at the Dorohusk border crossing point in Poland for smuggling in their van an AK-630 naval anti-aircraft cannon disguised as plumbing equipment. Further investigation into this incident discovered a criminal group that included two other Ukrainian citizens who also smuggled C&C cigarettes (the police confiscated 1,300 packs of illegal cigarettes from this organized crime group).³¹

Organized crime groups involved in illicit cigarette production and smuggling have a complex structure, with connections to the local crime groups involved in the distribution. Diaspora communities help facilitate the smuggling, from North Africa but also from the Balkans.³² For example, in Italy, various mafia networks control the arrival, transit and distribution of illicit cigarettes, charging a commission on all illicit operations.³³ There is strong evidence of close connections between EU and Eastern European OCGs. For example, recent investigations revealed an international network involved in cigarette smuggling. In Iasi, the second-largest city in Romania, the authorities detected a criminal organization called the “Huja group”, which specialized in cigarette smuggling across the Prut River from Moldova into Romania. This group relied on local intermediaries who transported, stored and sold C&C cigarettes in the local market.

Three Romanian leaders of the Huja group formed the core level of the organization. They took a commission from Eastern European smugglers and Romanian recipients for coordinating illegal

³⁰ KPMG. (2017). Project SUN: A Study of the Illicit Cigarette Market in the European Union, Norway and Switzerland - 2016 results, 152-53, <https://home.kpmg/uk/en/home/insights/2018/07/project-sun-2017.html>.

³¹ “Attempt to Smuggle Anti-aircraft into Poland Foiled.” April 6, 2017, *Radio Poland*.

<http://www.thenews.pl/1/9/Artykul/301471,Attempt-to-smuggle-antiaircraft-into-Poland-foiled>.

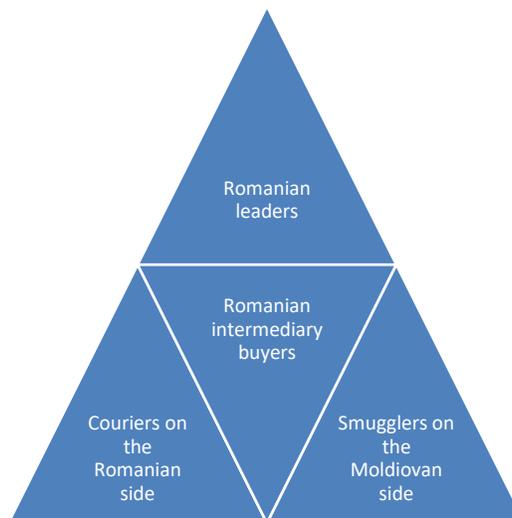
³² Benyagoub and Raufer 5.

³³ KPMG, Project SUN: A Study of the Illicit Cigarette Market in the European Union, Norway and Switzerland – 2016 results, 95.

operations.³⁴ The second level consisted of the recipients of illicit cigarettes on the Romanian side who distributed them further in the EU market. The third level included Moldovan citizens who smuggled cigarettes over the Prut River. The last level was made up of Romanian citizens residing in the border area who were recruited by the Huja group to transport cigarettes to their recipients. A multi-level structure of the Huja group is depicted in Figure 1.

Organized crime groups involved in illicit cigarette production and smuggling have a complex structure, with connections to the local crime groups involved in the distribution. Diaspora communities help facilitate the smuggling, from North Africa but also from the Balkans

Figure 1. A multi-level structure of the Huja criminal group



In November 2017, the Romanian authorities dismantled the Huja group and confiscated 27,240 cigarettes of different brands, 44 mobile phones, 31 SIM cards, binoculars, 3,000 pieces of different pyrotechnic products, five teardrop irritants, five memory cards, three receiving stations,

³⁴ Krylova; Romanian Border Police., “Criminal group specialized in smuggling cigarettes, destroyed by border guards in Iasi” [in Romanian],” November 24, 2017, <https://www.politiadefrontiera.ro/ro/iasi/i-grup-infractional-specializat-in-contrabanda-cu-tigari--destructurat-de-politistii-de-frontiera-ieseni-11050.html>.

cash in different currencies, and 610 liters of diesel fuel.³⁵ Members of this group were charged with involvement in organized crime and smuggling.

Eastern European Organized Crime Groups (OCGs) are also involved in the production of illicit cigarettes in the EU. For example, in March 2017, the Polish Police in cooperation with the Spanish National Police and with the support of Europol dismantled an organized crime group consisting of members from Greece, Bulgaria, Ukraine, Spain and Poland that were involved in the illicit manufacturing of tobacco products. The cigarette production lines were located in Poland and Spain. The authorities seized over 14 tons of tobacco (which is enough to produce 14 million cigarettes) in the illegal factory in Żuromin (Poland) and 3.5 tons of tobacco in another factory located in Elche (Spain).³⁶ Cigarettes were to be distributed in Western European countries such as France. Often, such illicit factories use victims of human trafficking as a source of unpaid labor in the ordinary manual tasks. In Spain alone, a total of 5,695 people were released from slavery between 2012 and 2016.³⁷ Many victims of human trafficking originate from Eastern European countries, including Romania and Ukraine. This is a reflection of the convergence of different forms of illicit cigarette trade with other forms of illicit activity as will be discussed subsequently.

In another case, the Polish Border Guard dismantled a criminal group engaged in smuggling, production and distribution of illegal cigarettes that included nine Ukrainian citizens and five Polish citizens. In the region of Lodz, they organized an illegal tobacco factory, where the police found over 3.5 million cigarettes and 14.5 tons of tobacco.³⁸ At the factory, the officers found 2 operating production lines, including machines for drying and flavoring tobacco, as well as for producing and packaging cigarettes. Production machines generated 6,000 cigarettes per minute, while the packaging machine produced 250 packs per minute.³⁹ Illegal cigarettes sold in the

³⁵ Romanian Border Police.

³⁶ Europol, “Network of hashish and counterfeit tobacco smugglers dismantled” March 30, 2017, dismantled; <https://www.europol.europa.eu/newsroom/news/network-of-hashish-and-counterfeit-tobacco-smugglers-dismantled>.

³⁷ J.M.J. Gálvez, and I. Domínguez, “The Slave Trade in Spain: Thousands Rescued from Brothels and Sweatshops,” *El País*, April 21, 2017; https://elpais.com/elpais/2017/04/21/inenglish/1492756977_271906.html

³⁸ Krylova; Border Guard of Poland. (2017). The Border Guard broke up the criminal group [in Polish], <http://www.strazgraniczna.pl/pl/aktualnosci/4706,Straz-Graniczna-rozbila-grupe-przestepcza.html?search=7014>.

³⁹ *Ibid.*

Western European market deprived the Polish State Treasury of over 21 million zlotys (\$6.08 million) in unpaid taxes.⁴⁰ They also had serious financial consequences for the recipient countries.

In Italy, the leading organized crime groups also participate in this trade.⁴¹ The research shows the presence of Camorra clans (organized crime groups based in Naples and the Campania region) in some aspects of illegal cigarette trafficking, and also the presence of other people, not camorristi. Camorra clans are only involved in certain parts of the supply chain, not in the whole illicit trade, but they play a key role and have rarely been prosecuted for their activities in this trade. The failure to prosecute these groups for their involvement in the cigarette trade in a significant fashion may reflect the tolerance of this trade, the decision to focus on what are perceived as more significant crimes, as well as the endemic corruption in the regions.

The research shows the presence of Camorra clans (organized crime groups based in Naples and the Campania region) in some aspects of illegal cigarette trafficking, and also the presence of other people, not camorristi. Camorra clans are only involved in certain parts of the supply chain, not in the whole illicit trade, but they play a key role and have rarely been prosecuted for their activities in this trade.

In addition to clans in Southern Italy, there are other participants in the illicit cigarette trade, who are not part of criminal networks. This reflects the intersection of the licit and the illicit world. The interaction of these worlds helps explain why this illicit activity is so hard to disrupt because it does not involve just criminal actors but individuals of higher social status. These include: 1. individuals who invest in this illegal trade; 2. autonomous illegal “big” entrepreneurs (called “bozzatori” in some police interceptions) who buy cigarettes from investors and sell them to suppliers; 3. autonomous illegal “small” entrepreneurs (called “grossisti” in some police intercepts) who buy cigarettes from “bozzatori” and sell them to retailers; 4. autonomous illegal sellers of cigarettes; 5. Corrupt employees of the State who (for money) close their eyes and facilitate the illegal trade.⁴²

⁴⁰ Ibid.

⁴¹ Isaia Sales, “Droga e contrabbando, stesso affare di Camora,” *Il Mattino*, August 1, 2016; Francesco Calderoni, “A New Method for Estimating the Illicit Cigarette Market at the Subnational Level and Its Application to Italy,” *Global Crime* 15, no. 1–2 (2014): 51–76.

⁴² Melorio.

The illicit cigarette trade that comes out of North Africa is not as associated with traditional organized crime groups but is more identified with traditional smuggling networks known as *trabendo*. These groups rely heavily on corruption in the source region.⁴³ Barcelona is a key transit hub as the *trabendo*, or smugglers, operating out of Algeria, link with Spaniards involved for many years in contraband trade.⁴⁴ Additionally, since 2014, the South American cartels have been using Morocco as a gateway into Europe for their cocaine. This is due to the large smuggling networks already in place, as well as the increased demand for cocaine in the region.⁴⁵ The presence of these groups may have further professionalized the smuggling trade.

Corruption and Smuggling

Corruption of law enforcement, tax authorities and customs agencies contributes to the rise in smuggling in the Eastern European region. In addition, Ukraine's serious ongoing financial crisis, pushes a growing number of Ukrainians into illicit trade. In an interview, a security officer from L'vov, a city in Western Ukraine, describes how poverty and limited economic opportunities fueled C&C cigarette smuggling to the EU:

Following the collapse of the national currency from 8 to 27 hryvnias per dollar and the replacement of the border authorities after the Euromaidan, the old [smuggling] schemes became even more profitable. The first month or two after the revolution, smuggling experienced some standstill due to the fear of "lustrations" and publicity, but then it emboldened. At the customs, new "hungry" officers were desperate to "feed" themselves and their supervisors. Kiev's authorities increased their "plans" for [informal] money collection, as a result, bribes for cigarette trafficking also increased and smuggling began flourishing. This is now the easiest and very profitable business; money is made "out of thin air." In Western Ukraine, almost every peasant from the border zone moves cigarettes to Poland, Slovakia or Romania... Local people enjoy the right of visa-free border crossing, the so-called small border traffic, which we jokingly call "small border smuggling" (they can go to Poland with a special card and go back and forth every day without any restrictions on time).⁴⁶

⁴³ Shelley, *Dark Commerce: How a New Illicit Economy is Threatening our Future*, 166 using some of the research from this project.

⁴⁴ Lyubov Grigorova Mincheva and Ted Robert Gurr, *Crime-Terror Alliances and the State: Ethnonationalist and Islamist Challenges to Regional Security* (London and New York: Routledge, 2013), 95.

⁴⁵ Benyagoub and Raufer.

⁴⁶ "Smuggling of cigarettes across the Polish border. Black revenues soared to billions of dollars" [in Russian]. 2017. The News Agency Novorossiya.

Corruption at the customs and other public agencies blocks all efforts to counteract cigarette smuggling to the EU. As the 2016 report published by the Hungarian Center for Migration indicates, the EU-Ukrainian cross-border cooperation to prevent smuggling and other illicit activities is obstructed by the unstable economic conditions, a weak financial system, and a high level of corruption within the bureaucracy.⁴⁷

Corruption plays a critical role in preventing customs reforms in Ukraine and other Eastern European countries. The 2016 example vividly illustrate this point.⁴⁸ Thus, in the Odessa port, x-ray scanners that were supplied through a USAID project were damaged, allegedly by corrupt customs officers engaged in criminal activities.⁴⁹ Therefore, illicit cigarettes could easily exit the port.

The Transcarpathia area is an important exit point for illicit cigarettes. The number of corruption incidents among Transcarpathia's public officials is particularly high. During the first half of 2017, the Economic Crime Department in the Transcarpathian region filed 77 reports of administrative violations by customs officers and other officials who committed various corruption offenses.⁵⁰ Bribes and extortion by low-level customs officers reflect the large-scale corruption that reaches to the higher levels of the customs hierarchy.⁵¹

Transcarpathian customs officers were not only engaged in taking bribes, but some of them were also personally involved in smuggling activities. For instance, in 2017, Hungarian border guards detained two Ukrainian citizens at the Tisa-Zahon checkpoint, one of whom was an officer of the Transcarpathian customs. During the examination of their car, they found four kilograms of

<https://www.novorosinform.org/articles/9230>.

⁴⁷ A. Eröss, K. Kovály, and P. Tátrai, "Effects of the Ukrainian Crisis in Transcarpathia: the Hungarian Perspective," The Center for Migration, 2016, 18.

⁴⁸ "USAID Ends Funding for Troubled Ukraine Customs Reform," December 30, 2016, Reuters, <https://www.reuters.com/article/us-ukraine-crisis-corruption-usaid/usaid-ends-funding-for-troubled-ukraine-customs-reform-idUSKBN14J10Z>.

⁴⁹ P. Marzalik, "Corruption Blocks Customs Reform in Odessa," Ukraine Business Journal, 2018, </news/view/corruption-blocks-customs-reform-in-Odessa>.

⁵⁰ "The most corrupt officials in Transcarpathia are judges, customs officers and deputies" [in Russian]. 2017, Information Portal Uzhgorod.in.

http://uzhgorod.in/en/news/2017/iyul/the_most_corrupt_officials_in_transcarpathia_are_judges_customs_officers_and_deputies.

⁵¹ D. Sharkov, "An Ally of Ukraine's President Accused of Corruption Got Bailed Out for Almost \$4 Million," Newsweek, March 17, 2017, <https://www.newsweek.com/ukraine-president-official-ally-accused-corruption-made-bail-millions-569978>.

drugs.⁵² In addition, at least two legal cases were registered over the last two years, where Ukrainian and foreign diplomats were involved in the smuggling of illicit tobacco products from Ukraine to EU countries.⁵³

The Transcarpathia area is an important exit point for illicit cigarettes. The number of corruption incidents among Transcarpathia's public officials is particularly high.

Cigarette smuggling is frequently associated with countries with high levels of instability and corruption. This helps explain why illicit cigarettes are arriving in France and Italy increasingly from unstable countries in Northern Africa and Eastern Europe. Corruption is rampant in Tunisia and Libya, with the police being one of the most corrupt institutions.⁵⁴ This corruption and instability, due to the revolution in 2011 and the fall of Ben Ali and Gaddafi, led to the revamping of the criminal marketplace and illicit trade. The illicit economy accounts for 15 to 20% of all Gross Domestic Product (GDP) in Tunisia and employs around 30% of the non-agricultural workforce.⁵⁵ Further, "Tunisia loses around \$1 billion per year because of illicit trade. Smuggled goods account for about 50 percent of bilateral trade with Libya."⁵⁶ Additionally, this corruption threatens the national security of states by providing opportunities for people to smuggle illicit products into the country.

⁵² Koval', M., "Customs officer from Uzhgorod drove drugs to Hungary," [in Russian]. Podrobnosti-TV, March 6, 2017, <http://podrobnosti.ua/2164861-tamozhennik-iz-uzhgoroda-vozil-narkotiki-v-vengriju.html>.

⁵³ See, e.g., "Because of the smuggling scandal, the Ambassador of Ukraine in Slovakia was dismissed" [in Russian], June 3, 2016, *Forbes Ukraine*, State Border Guard Service of Ukraine (2017) Border Guard Sniffer Dogs Helped to Found Cigarette Worth 5 Million UAH, May 24, 2017,

<http://dpsu.gov.ua/en/news/border-guard-sniffer-dogs-helped-to-found-cigarette-worth-5-million-uah/>;

Leshchenko, A. "The citizen of Mongolia under the guise of a diplomatic dispatch attempted to smuggle a whole minibus of cigarettes from Ukraine," [in Russian] *Fakty*, April 20, 2017, <http://fakty.ua/234345-grazhdanin-mongolii-pod-vidom-dippohty-pytalsya-vyvezti-iz-ukrainy-celyj-mikroavtobus-kontrabandnyh-sigaret-foto>.

⁵⁴ Marouen Mansour, "Corruption, Transnational Crimes and Terrorism: Tunisia," paper at Schar School of Policy and Government, George Mason University.

⁵⁵ Benyagoub and Raufer, 9.

⁵⁶ Ayadi, Lotfi et.al., "Estimating Informal Trade across Tunisia's Land Borders," Policy Research Working Paper; No. 6731. World Bank, Washington, DC. 2013, <https://openknowledge.worldbank.org/handle/10986/16947>.

One of the “hotbeds” of the regions is a border region between Libya and Tunisia, known as Ben Gardane (with 60,000 inhabitants within Tunisia) and Ras Jedir on the Libyan side. In January 2018, the Libyan Islamist “Brigade al-Jouili”, named after its chief Oussama al-Jouili, attacked the frontier post of Ras Jedir with heavy munitions, and three were killed and a dozen wounded in the ensuing fighting.⁵⁷ Here, illicit products, weapons and humans frequently move between the porous borders.⁵⁸ Ben Gardane is the site of the leading wholesale and semi-wholesale market for goods arriving from Libya for distribution in the north and center of Tunisia. These goods are shipped from the ports of Zliten, Misrata, or Tripoli to Ben Gardane, where the goods are stored and distributed to the rest of the country. Informal trade between Tunisia and Libya centers on a network of trade flows punctuated by the physical intervention of individuals located primarily in Tunisia (Ben Gardane), Libya (Tripoli and Zliten), and China. A payment system is linked to Dubai, which appears to be the market of choice for paying Chinese suppliers.⁵⁹

Cigarette smuggling is frequently associated with countries with high levels of instability and corruption. This helps explain why illicit cigarettes are arriving in France and Italy increasingly from unstable countries in Northern Africa and Eastern Europe. Corruption is rampant in Tunisia and Libya, with the police being one of the most corrupt institutions.

Convergence with other Illicit Activities

The illicit cigarette trade cannot be separated from the other forms of illicit activity along the supply routes but is not evident in the sales in Naples. While some of the lower level participants in this trade may exclusively deal with cigarettes, at the higher end of the logistics chain we are frequently dealing with criminal organizations that also engage in different commodities. To increase their economic profit, criminal organizations in different locales try to optimize their transportation and logistics to avoid freight vehicles running empty. Therefore, cigarettes may

⁵⁷ Ibid.; Maryline Dumas, “La Frontiere tuniso-libyenne victim des combats d’Influence influence pour l’ouest Libyen,” Jan. 7, 2018, <https://www.middleeasteye.net/fr/news/la-frontiere-tuniso-libyenne-victime-des-combats-dinfluence-pour-louest-libyen>.

⁵⁸ Benyagoub and Raufer, annex 7.

⁵⁹ Mansour.

move in one direction and another illicit commodity in another. This has been seen in different locales examined.

The lack of oversight and control over illegal manufacturing of cigarettes leads to the problem of labor exploitation. One of the most recent examples is the arrest of 18 members of an organized crime group in December 2017 in Spain on charges of illicit tobacco trade, money laundering and violating the rights of workers. The organized crime group invested almost 3 million euros (\$3.7 million) to start up their illegal tobacco factory in Grenada, Spain to produce their own cigarette brand.⁶⁰ As Europol report indicates, the workers, mainly from Ukraine and Bulgaria, “were forced to work more than 12 hours each day in a very unhealthy working environment.”⁶¹

Sale of Illicit Cigarettes

Marseille is the French hotspot for illicit cigarette sales (especially the Belsunce neighborhood)—approximately 40% of all sales are of illegal imports.⁶² Their proximity to Algeria is key as over a quarter of France’s contraband cigarettes are smuggled from Algeria where they are purchased from local wholesalers.⁶³ This trade is allegedly facilitated by corrupt notaries in Marseille as well as government officials at the source—Algeria. Dockworkers and false documentation facilitate the trade from North Africa. French officials of the Customs authority (DGDDI) have negotiated with the Algerian government to place an analytical center in Algeria to study the contraband

⁶⁰ “Spanish Guardia Civil supported by Europol Breaks up an Illegal Tobacco Factory,” December 6, 2017,

<https://www.europol.europa.eu/newsroom/news/spanish-guardia-civil-supported-europol-breaks-illegal-tobacco-factory>.

⁶¹ Ibid.

⁶² Anne Vidalie, “Contrebande: le boom des marques clandestines de cigarettes,” July 12, 2016. Accessed June 15, 2017, http://www.lexpress.fr/actualite/societe/contrebande-le-boom-des-marques-clandestines-de-cigarettes_1811389.html; Francesco Calderoni, et. al., *The Factbook on Illicit Trade in Tobacco Products-8 France*, June 1, 2016, Accessed June 15, 2017, <http://www.transcrime.it/publicazioni/the-factbook-on-the-illicit-trade-in-tobacco-products-8-france/>; see also Carolyn Nordstrom, *Global Outlaws: Crime Money and Power in the Contemporary World* (Berkeley, Los Angeles, London: University of California Press, 2007), 23.

⁶³ “Spanish Customs,” in Interpol, *Against Organized Crime: Interpol Trafficking and Counterfeiting Casebook 2014*, 36 (Lyon: Interpol, 2014); “Cigarette Smuggling Between France and Algeria is no longer going unnoticed,” November 24, 2018, <https://www.euractiv.com/section/economy-jobs/opinion/cigarette-smuggling-between-france-and-algeria-no-longer-going-unnoticed/>

cigarette trade.⁶⁴

This port city has long been a center of illicit trade. Think of *The French Connection*, where drugs arrived from Turkey to be shipped to the United States via Canada.⁶⁵ The police allocate few resources against the petty cigarette traders. This inattention is not a result of corruption, as the sellers lack the funds and the contacts to corrupt French officials.⁶⁶

Avoiding taxation, smuggled cigarettes can be sold in open-air markets at substantially lower prices than legitimate retail products. In France, cigarettes on the street sell for about €5 a pack for diverted products, and illicit whites or counterfeited products can be found at €4. On Facebook, they may be found for 3 to 5 euros a pack⁶⁷. In the shops, the prices for legitimate products are much higher—€8. The difference in price results in massive tax losses to the state, approximately four billion euros annually for the French economy.⁶⁸

Large illicit markets also operate in Paris where the cigarettes are transferred in small trucks or vans. They operate openly within certain parts of Paris. They know when to move, where to sell. Their logistics are facilitated by extensive social media and phone communications referred to as “the Arab telephone.”⁶⁹

⁶⁴ Direction Général des Douanes, Alger: Paris et Alger Unis face au trafic de cigarettes, *Maghreb Confidentiel*, Feb. 28, 2019.

⁶⁵ Ryan Gingeras, *Heroin, Organized Crime and the Making of Modern Turkey* (Oxford: Oxford University Press, 2014), 122 -123 and Jonathan V. Marshall, *The Lebanese Connection: Corruption, Civil War, and the International Drug Traffic*. Stanford Studies in Middle Eastern and Islamic Societies and Cultures Series. (Stanford: Stanford University Press, 2012), 33-48.

⁶⁶ Nacer Lalam, “France from Local Elites to National Leaders,” In *Corruption and Organized Crime in Europe: Illegal partnership* edited by Philip Gounev and Vincenzo Ruggiero, 109-110. Abingdon: Routledge, 2012; Louise Shelley, *Dark Commerce: How a New Illicit Economy Threatens our Future*, 166.

⁶⁷ Matthieu Pechberty “Le Tabac du e-traffic,” *L’Express*, Jan. 9, 2019, https://lexpansion.lexpress.fr/actualite-economique/les-reseaux-sociaux-eldorado-des-trafiquants-de-tabac_2055115.html.

⁶⁸ Martinet, “*La France, championne d’Europe des cigarettes de contrebande*,” and KPMG, “Project Sun-Results 2015,” <https://home.kpmg.com/uk/en/home/insights/2015/05/project-sun-a-study-of-the-illicit-cigarette-market.html>. Project Sun is a project of KPMG as part of the agreements concluded among Philip Morris International, the European Commission, OLAF and the Member States to tackle the illicit trade. Project Sun involves all the four major multinational tobacco manufacturers (Philip Morris International, British American Tobacco, Imperial Tobacco and Japan Tobacco International).

⁶⁹ Benyagoub and Raufer.

Yet, the Internet is also heavily used for French sales, a phenomenon less frequently seen in Italy, where, sales seem to be based more at local markets. This phenomenon has been identified in Lyon, France's second largest city.⁷⁰

Avoiding taxation, smuggled cigarettes can be sold in open-air markets at substantially lower prices than legitimate retail products. In France, cigarettes on the street sell for about €5 a pack for diverted products, and illicit whites or counterfeited products can be found at €4

The same phenomenon exists in Southern Italy where open-air markets sales are key to the distribution of untaxed cigarettes. Social media are not as clearly associated with these markets as in France. Stalls, called “the bancarielli”, in Naples, sell illicit cigarettes in the neighborhood markets of the Buvero (S. Antonio Abate street) and Porta Nolana (Soprammuro alley), from 10 a.m. to 1 p.m. In these famous and colorful markets, there are more than ten stalls for cigarettes in each market, placed among fruit and vegetable stalls, clothing and wedding favors stalls and those selling counterfeit goods. The “bancarielli” for cigarettes are placed closer to customers than others, usually placed on a raised, big fruit crate covered with a colored tablecloth. There aren't many cigarettes on each stall, because it is “not safe” for the retailers. Up to 25 packages of cigarettes they risk only an administrative penalty from 5000 to 50000 euro, and not a criminal sentence. That's why the “shuttle” is very important: thanks to it, there are always cigarettes on the stall but never too many. Stocks are replenished as needed.⁷¹ The same procedure also works in the open-air markets in southern France as well as in Paris.

In Naples, the retailers are men and women from the neighborhoods where smuggled cigarettes are sold, usually an entire family works in the distribution system. The people who sell the cigarettes are not the same people who take the money. Therefore, there are at least two people near the “bancariello”. This is also a “security measure” for the retailer, in fact when the police forces arrive, they count the cigarettes on the stall and also the money in the cash box and they add the first to the second to understand the quantity of cigarettes handled by the retailer and identify

⁷⁰ “Saisie record de 2,4 tonnes de cigarettes de contrebande,” *Le Progrès*, March 9, 2018, <https://www.leprogres.fr/rhone-69/2018/03/09/saisie-record-de-2-4-tonnes-de-cigarettes-de-contrebande>; “Lyon, place Forte de la vente de cigarettes sur internet,” *Le Dauphine*, March 9, 2018, <https://www.ledauphine.com/faits-divers/2018/03/09/lyon-place-forte-de-la-vente-sur-internet>

⁷¹ Melorio.

the kind of penalty (administrative or criminal) for him. A similar system of differentiation of roles is also found in the open-air markets of France.

“Bancarielli” are also found in some corners of Forcella, Sanità, San Giovanni a Teduccio (neighborhoods of Naples). There are also door-to-door salesmen who operate by putting cigarettes inside baskets (*i “panieri”*) and then ladies use these baskets to drop payments from the from their balconies.⁷²

Cigarettes are also sold door to door by retailers with shoulder bags. It happens in particular in the evening gathering places, such as Piazza Bellini, Piazza del Gesù, Piazza San Domenico Maggiore in Naples from 10 p.m. Here, the retailers, walk around the coffee tables and, just like unauthorized rose sellers, offer their cigarettes for sale. It is also not difficult to find purchasers in squares full of young people who want to enjoy their nights and economize on their smoking costs.⁷³

In Naples, there are also cigarette stalls near the railway station, but often the operators are scammers. In Garibaldi Square, in particular, sellers prey on tourists, selling packets without cigarettes, with only polystyrene inside together with some iron nails to provide weight to the package. Criminal activities inside criminal activities! And obviously, nobody reports the con artists to the police.⁷⁴ This is trade usually conducted by local residents and not immigrants.

Prices are cheaper in Naples than in Southern France. The cost of the contraband cigarettes is written by Naples vendors on hastily made paper or colored wooden signs. One packet of cigarettes costs from €2 to €3, the price depends on the kind of cigarettes. The cigarettes considered less tasty usually cost less than the others.⁷⁵

Southern Italian customers are aware that they are buying illegal cigarettes and have different justifications. This is what some might term a “culture of illegality” that pervades the region. The older purchasers and women generally tell the story of their life difficulties, unemployment and poverty, often emphasizing with an unmasked anger, the faults of the state, in forgetting their existence. The younger purchasers minimize the illegality and do not have a negative perception

⁷² Ibid.

⁷³ Ibid.

⁷⁴ Ibid.

⁷⁵ Ibid.

about purchasing smuggled cigarettes. For some, this is a form of rebellion to give their money to “poor retailers,” rather than to the State through steep taxes. People usually do not realize that powerful criminal organizations are profiting from this trade.⁷⁶

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Major Smuggling Routes

The tobacco product smuggling routes are similar to the routes used for other smuggled commodities. Many of these routes have long histories going back as far as the historical Silk Road. The major smuggling routes are the Eastern-European route, the Black Sea route, Balkan route, and Route de *Trabendo*. The Mediterranean ports are key hubs for receipt of goods. These routes have long connected East Asia and Northern Africa with Europe. Along these routes, a continuous and long-term flow of goods and products are smuggled, bypassing all fiscal and commercial regulations.⁷⁷

Eastern-European Route

This route includes cigarette smuggling to the EU through its common borders with Ukraine, Belarus, and Russia. A recent trend on the Eastern-European route is an increase in the number of smuggling incidents at the EU border with Ukraine’s Transcarpathia (the Zakarpatia region). Thus in 2015, the European Border and Coast Guard Agency Frontex reported that smuggling incidents increased by 16.8 percent over 396 cases detected in 2014 along Transcarpathia’s border. Transcarpathia is a historic region dividing Eastern and Central Europe, which makes it a natural transit point from East to West. This region has a long history of smuggling. Not surprisingly, it is often called “Ukrainian Sicily.” Situated in the Carpathian Mountains, Transcarpathia is the only Ukrainian administrative division which borders four EU member states: Poland, Slovakia, Hungary and Romania (Figure 2). On the territory of Transcarpathia, there are 17 check points at

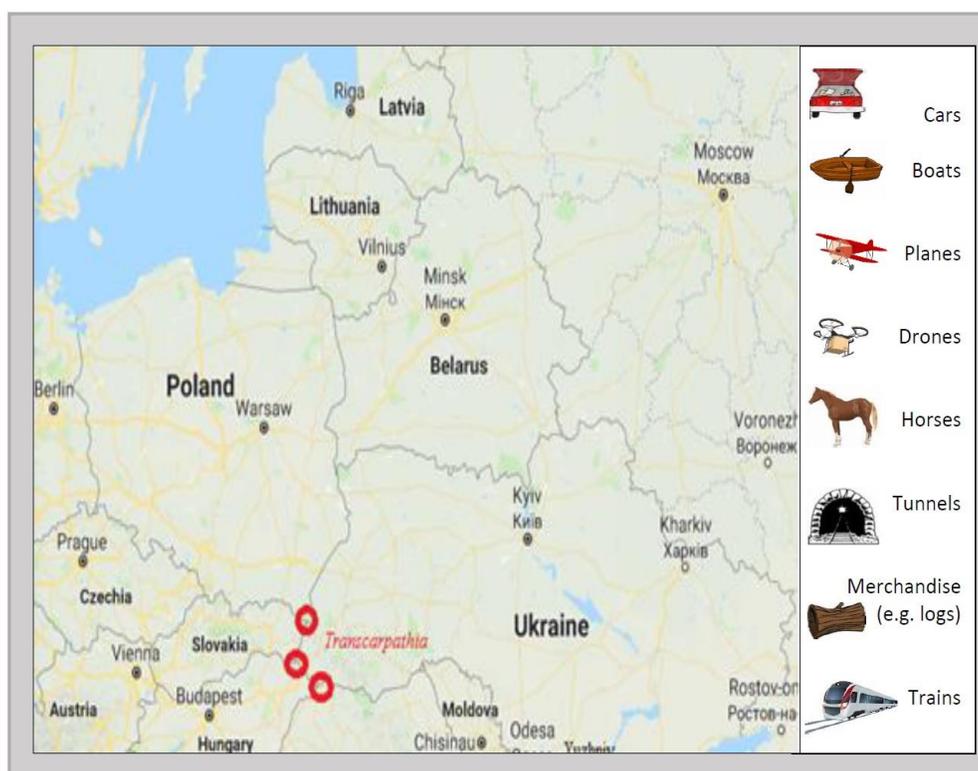
⁷⁶ Ibid.

⁷⁷ Benyagoub and Raufer.

the EU border, which include four railway, six international motor-car and three points of the simplified transition.⁷⁸

Thus in 2015, the European Border and Coast Guard Agency Frontex reported that smuggling incidents increased by 16.8 percent over 396 cases detected in 2014 along Transcarpathia's border. Transcarpathia is a historic region dividing Eastern and Central Europe, which makes it a natural transit point from East to West.

Figure 2. Tri-border regions in Transcarpathia and major transportation methods used by cigarette smugglers



Black Sea Route

The Black Sea route is a hotbed for smuggling tobacco products to the EU.⁷⁹ Ukraine's major terminals are located in the seaports of Odessa, Ilyichevsk and Yuzhnyi. Smuggling and trafficking

⁷⁸ Krylova.

⁷⁹ Krylova; Benyagoub and Raufer; Melorio.

of all kinds are quite common throughout large ports on the Black Sea. Ukraine's seaports are also known as a hotbed of cigarette smuggling to the EU and other countries.⁸⁰ For example, in July 2016, customs officials in the Odessa region detained a truck from Ukraine to Turkey through the Ilyichevsk seaport. The inspection of the truck revealed 25,000 packs of cigarettes in a hidden compartment, worth 500,000 hryvnias (\$17,615).⁸¹ In a more recent case, in September 2017, the Romanian Coast Guard Border Police officers, in cooperation with the European Anti-Fraud Office and the Customs Bureau Constanta Sud seized about 5 million Toros "cheap white" cigarettes of Eastern European origin smuggled on-board a ship sailing under the Slovenian flag in the Black Sea.⁸² The detention took place near the Mangalia Port, close to the southern border with Bulgaria and over 260 km north of Istanbul. The ship crew consisted of three Ukrainian citizens and one Moldovan citizen.⁸³

According to Mark Galeotti, affiliated with the Royal United Services Institute (RUSI), the annexation of Crimea gave OCGs the opportunity to establish a competitive shipping route through the Black Sea port of Sevastopol, which constitutes a major realignment of regional smuggling.⁸⁴

North African Route

There is a long tradition of smuggling that linked the Mahgreb with France and Spain. Key cities of this smuggling route include Marseille, but also Almeria, Grenada, Malaga, Séville and Algésiras are key urban hubs for the trade. These locales serve both for the transfer of goods and as centers for money laundering including trade-based money laundering. Important products

⁸⁰ See, e.g., State Border Guard Service of Ukraine, "In Odessa, border guards seized almost 260 boxes of cigarettes worth 3 million hryvnias," [in Ukrainian], December 21, 2017, <https://dpsu.gov.ua/ua/news/VIDEO-V-Odesi-prikordonniki-viluchili-mayzhe-260-yashchikiv-sigaret-na-3-milyoni-griven/>.

⁸¹ "From Ukraine to Turkey, smuggled cigarettes for half a million" [in Russian]. July 30, 2016, Information Agency *Unian*, <https://www.unian.net/society/1444937-iz-ukrainyi-v-turtsiyu-vezli-partiyu-kontrabandnyih-sigaret-na-polmilliona.html>.

⁸² Europol, "11 million cigarettes seized with OLAF support during hot season," October 10, 2017, https://ec.europa.eu/anti-fraud/media-corner/news/02-10-2017/11-million-cigarettes-seized-olaf-support-during-hot-season_sv.

⁸³ Romanian Border Police, "Approximately 250,000 smuggling cigarette packets discovered by border guards on board a craft," [in Romanian]. September 21, 2017, <https://www.politiadefrontiera.ro/ro/main/i-aproximativ-250000-de-pachete-tigari-de-contrabanda-descoperite-de-politistii-de-frontiera-la-bordul-unei-ambarcatiuni-10458.html>.

⁸⁴ Krylova.

along this supply chain include cigarettes, counterfeit shoes and sportswear, small electronics, as well as marijuana and heroin.⁸⁵

North Africa has been a key transit region for illicit migrant flows from Syria and Iraq and sub-Saharan Africa to Europe. Data released by the European Union in 2018 revealed a decline in the number of refugees and migrants from the previous year travelling via the Mediterranean sea. “In all, there were about 134,000 migrant arrivals to Europe in 2018, which is actually a significant decrease from 2017, which saw nearly 180,000 arrivals. Spain was by far the biggest destination for migrants and refugees in 2018, having received some 60,000 migrants and refugees this year. This compares to nearly 46,000 in Greece and 23,000 in Italy.”⁸⁶ Certain source countries in the North African region, and ISIS and its affiliates, can make strategic use of migrant flows..⁸⁷ The smuggled workers can also be exploited in agriculture in Southern Italy where crime groups in some cases collude with smugglers to obtain cheap labor.

In Southern France and Spain, the French research team identified areas of concern for the growth of illicit trade and the movement of goods. One area is on the French-Spanish border between Catalonia and Southern France -- La Junquera (Spain)- Perthus (France). The Port of Algeciras is one of the largest ports in Europe in three categories: container, cargo and transshipment. It is already a key zone for smuggling. It is an important entry point for illicit trade that then traverses Andalusia, a mere two-hour drive away from this port.

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Balkan Route

Romania and Hungary are the gateway for Ukrainian and Moldovan cigarette smugglers to the

⁸⁵ Benyagoub and Raufer.

⁸⁶“European Union Releases Facts and Figures for Migrant and Refugee Arrivals in 2018,” Decembe 11, 2018, <https://www.undispatch.com/european-union-releases-facts-and-figures-for-migrant-and-refugees-arrivals-in-2018/>.

⁸⁷ Benyagoub and Raufer.

Balkan route, including Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Montenegro, Serbia, Slovenia, Greece and Italy. According to the Romanian Border Police, cigarettes originating from Ukraine are predominant at Romania's northern border, with "the smugglers organized in real criminal groups, with branches abroad, at the border and inside the country."⁸⁸ The Romanian Border Police report that at the Ukrainian border, they detect illicit cigarettes on a daily basis, especially at night when smugglers are most active.⁸⁹

One of the most difficult routes to police lies in the mountainous region shared by Romania and Ukraine. On this route, it is common for couriers (also known as "mules") to transport up to 50 kilograms of tobacco products over mountain hikes in complete darkness.⁹⁰ This route requires stamina and endurance from smugglers, but its advantage is that its unpredictable terrain and conditions make it less accessible to border guards who patrol this area. Smugglers also use horses to transport cigarettes to Romania. In 2016, for example, Ukrainian border guards detained four horses loaded with bales full of cigarettes without excise stamps at the Romanian border, with the value estimated at 700,000 hryvnias (about \$27,750).⁹¹ In addition, smugglers traffic cigarettes by river routes, using rafts, dinghies, and pontoon boats.⁹²

Many residents of the border regions are involved in petty smuggling.⁹³ Small-scale traders often transport cigarettes with the aid of their relatives and friends who live across the border. A long

⁸⁸ Romanian Border Police, "Cigarette Smuggling, a Phenomenon under the Attention of the Romanian Border Police," 2017, <https://www.politiadefrontiera.ro:443/en/main/i-cigarette-smuggling-a-phenomenon-under-the-attention-of-the-romanian-border-police-7302.html>.

⁸⁹ Krylova.

⁹⁰ C. Gherasim, "In Romania, Cigarette Smuggling is a Tough Habit to Quit," August 3, 2017, *Euronews*, <http://www.euronews.com/2017/08/03/in-romania-cigarette-smuggling-is-a-tough-habit-to-quit>.

⁹¹ "Smuggling on horses" [in Russian]. Feb. 1, 2016, *Segodnya*.

<https://www.segodnya.ua/regions/lvov/kontrabanda-na-loshadyah-perepravlyali-s-rumynii-sigarety-na-700-tysyach-griven-687884.html>.

⁹² Krylova; See, e.g., State Border Guard Service of Ukraine, "Border Guards Detained More than 5,5 Packs of Cigarettes at the Border with Romania," 2017, <http://dpsu.gov.ua/en/news/video-border-guards-detained-more-than-55-packs-of-cigarettes-at-the-border-with-romania/>; Border Guard of Poland, "A smuggler transported cigarettes in a pontoon boat," [in Polish], 2017, <http://www.strazgraniczna.pl/pl/aktualnosci/4621,Przemycal-papierosy-lodzia-pontonowa.html?search=7014>.

⁹³ B. Bruns, J. Miggelbrink, and K. Müller, K., "Smuggling and Small-Scale Trade as Part of Informal Economic Practices: Empirical Findings from the Eastern External EU Border," *International Journal of Sociology and Social Policy*, 31(11/12), 2011: 664–680.

history of trade relations within diasporic networks in the border regions and social acceptability of cigarette smuggling are driving factors for this illicit business. For example, a nineteen-year-old resident of Záhony described his involvement in cigarette smuggling as follows: “This town lives off it [smuggling]. I’m not part of an organized gang, or doing big stuff, but it’s a way to make money. If I can buy a pack of cigarettes in Ukraine for less than two euros, and sell it for twice the price [in Hungary], that’s called business, not crime.”⁹⁴

Small-scale traders often transport cigarettes with the aid of their relatives and friends who live across the border. A long history of trade relations within diasporic networks in the border regions and social acceptability of cigarette smuggling are driving factors for this illicit business.

This situation is exacerbated by the current economic crisis and political instability in Eastern Europe, which transformed smuggling for many local residents from a source of informal income into a way of surviving. One of the major reasons behind this increasing trend is that poverty and unemployment further strengthen tolerance to illicit trade in cigarettes.⁹⁵

In the seizures carried out by the Finance Police in the last year in Campania, it was noted that the most common means of transporting cigarettes to Campania is by road, via Slovenia and Trieste. However, the supply system from the Adriatic ports (from Greece to Brindisi, Bari, Ancona) and to Naples still persists. Italian ports on the Adriatic Sea are safer for smugglers than the Mediterranean port of Naples.⁹⁶

Salerno, south of Naples, has a specific role in modern cigarette traffic. It has a lower level of corruption than Naples because it is not the homeland of the Camorra. As law enforcement told our Italian researcher in interviews, near the city of Salerno, there are some warehouses, but cigarettes generally are not sold in the city. Salerno is a destination for truck deliveries but it also

⁹⁴ S. Huijboom, “Smuggling, Corruption Rife on Ukrainian-Hungarian Border,” August 28, 2015, Kyiv Post, <https://www.kyivpost.com/article/content/reform-watch/smuggling-corruption-rife-on-ukrainian-hungarian-border-396756.html>.

⁹⁵ Krylova.

⁹⁶ Melorio.

receives cargo shipments as it has a significant port. Some containers of smuggled cigarettes are delivered but the massive deliveries of the past are over.

Today the ports are more closely monitored than the European roads. With freedom of movement of goods inside the European Union not all the trucks are checked by customs. Furthermore, loads are divided to prevent big losses in case of seizures by the police. Even if the majority of smuggled goods are now transported by road, a small percentage travels by sea, from Greece to Ancona, Bari and Brindisi or from the United Arab Emirates and North Africa to Salerno. Salerno's port in fact is less closely monitored than Naples, because the latter is a fiefdom of the Camorra and its trafficking activities, and police forces are more concentrated there. The port of Salerno is not a "hub" of the cigarette trade but it has a role in it.⁹⁷

In February 2014, for example, 14 people were arrested in Salerno. They were part of a legal company that unloaded goods in the port. They also unloaded smuggled cigarettes from the containers and they took them out of the customs area of the port. Then the cigarettes were taken out the port with the complicity of the cleaning crew who had free movement within the port and loaded some boxes of cigarettes into their own cars. It seems that this same organization was also involved with drug trafficking.⁹⁸

Even if the majority of smuggled goods are now transported by road, a small percentage travels by sea, from Greece to Ancona, Bari and Brindisi or from the United Arab Emirates and North Africa to Salerno.

Smuggling Methods

The methods used for cigarette smuggling vary widely, and often evolve with technology, as well as terrain and other conditions. They can vary from the use of horses and mules in mountainous terrain to highly technologically advanced drones. Polish border guards found smuggled cigarettes in various places, even in funeral caravans. For example, in September 2017, the Border Guard

⁹⁷ Ibid.

⁹⁸ Ibid.

officers in Bialystok arrested a 26-year-old Pole driving a funeral car full of plastic bags and cardboard boxes with cigarettes without Polish excise stamps, worth over 20,000 zlotys (\$5,672).⁹⁹

Other Eastern European countries also report an increased traffic of people and vehicles at the eastern borders. For example, during 2016, over 89.5 million people passed through the Ukrainian state border.¹⁰⁰ Laborers who cross the border daily are often involved in bootlegging of small amounts of cigarettes concealed in their baggage or attached to their bodies. Vehicles are used by both individual bootleggers and organized criminals. In 2016, almost 20.3 million vehicles crossed the EU-Ukrainian border.¹⁰¹ This volume makes identifying suspicious vehicles extremely difficult. Criminals also take advantage of the huge international inbound mail traffic coming to the EU, by increasing use of postal and courier services to smuggle C&C cigarettes.¹⁰²

On border rivers in Eastern Europe, smugglers use various floating devices and the so called “cable” method, where boxes of cigarette are transported by wire cables connected to both shores.¹⁰³

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Animals

Even as technology advances, animals are still used in smuggling. For example, in the mountainous regions of Transcarpathia, donkeys and mules are still used where trucks and other modes of

⁹⁹ Krylova; Border Guard of Poland, “Cigarettes in a funeral caravan,” [in Polish], 2017. <http://www.strazgraniczna.pl/pl/aktualnosci/5441,Papierosy-w-karawanie-pogrzebowym.html?search=7014>.

¹⁰⁰ State Border Guard Service of Ukraine, “Border Guards Continued to Develop Systematically and Reliably Protect the Homeland Borders,” 2017, from <http://dpsu.gov.ua/en/news/1495870785-border-guards-continued-to-develop-systematically-and-reliably-protect-the-homeland-borders/>.

¹⁰¹ Ibid.

¹⁰² E. Allen, “The Illicit Trade in Tobacco Products and How to Tackle it,” (Second edition), 2013, <https://illicittrade.com/reports/downloads/ITIC%20-%20Illicit%20Trade%20in%20Tobacco%20Products%20booklet%20-%202nd%20edition%20Sept.%202013.pdf>.

¹⁰³ Krylova.

transportation would be too difficult. In mountainous borders, smugglers often use horses, taking advantage of the fact that such areas are difficult to police and are not easily accessible to border guards.¹⁰⁴ The use of donkeys and horses is also quite common in and through the Maghreb region.¹⁰⁵

Trucks and Other Vehicles

Smugglers frequently utilize trucks, often hiding the illicit tobacco products among the cargo, or even within the truck itself in places such as tire wells or hidden compartments. This method was also used by smugglers to move drugs from North Africa and Eastern Europe. Trucks entering from Italy often have foreign license plates and foreign drivers, usually from different places throughout Eastern Europe. Typically, they are legally working in the EU, and they frequently stop for security checks, but the cigarettes are not discovered unless the vehicle is searched.¹⁰⁶ They then travel to different warehouses, often used for other types of transnational criminal activity, and await the distribution process. In places such as Italy, the roads are utilized more frequently than in the past because the ports are being more closely monitored and more difficult for smuggling.

The choice of concealment and transportation methods depends on the particular route used by smugglers. The most popular methods remain the so-called “lid” method, meaning the concealment of cigarettes among other types of merchandise transited legally through the border check points and the so-called “soundproofing” method, when cigarettes are transported in hidden compartments and different parts of vehicles (tires, doors, bumpers, fuel tanks, spare wheels, back seats, cabin, spares, and flaps).¹⁰⁷

The trucks arriving in the Naples areas often have foreign license plates and the drivers are mostly foreign, primarily citizens of Eastern European countries. The trip time is (from the departure from home to their return to their home countries) about 7-10 days. They travel with legal documents

¹⁰⁴ Krylova.

¹⁰⁵ Benyagoub and Raufer.

¹⁰⁶ Melorio.

¹⁰⁷ Romanian Border Police, “Cigarette Smuggling, a Phenomenon under the Attention of the Romanian Border Police,” March 23, 2017, <https://www.politiadefrontiera.ro:443/en/main/i-cigarette-smuggling-a-phenomenon-under-the-attention-of-the-romanian-border-police-7302.html>.

and they stop regularly as the law requires. So they are only discovered if police stop their truck and decide to check the load in detail. The trip is organized by the foreign criminal organization who pays the drivers from 500 to 1000 euro (usually when they come back) in addition to the travel expenses (hotel, restaurant, oil) paid on departure.

If they are discovered smuggling in Italy, they are arrested, probably processed “per direttissima” and sentenced to one year in prison with suspended sentence, so they are released, they can return home and are ready to depart again with cigarettes, although probably through new routes because in Italy they are already known by law enforcement.¹⁰⁸

Police operations near Naples show trucks full of cigarettes, crammed behind ingenious cover loads. Cigarettes were found by police forces inside coils for electric cables, under panels, inside double bottomed trucks and behind internal length reducers of the truck, only to mention the most imaginative solutions.¹⁰⁹

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Drones and Airborne Transport

Increasingly, smugglers in Eastern Europe use various flying devices, including planes, helicopters, motor hang gliders, and drones modified to carry cigarettes across the border. Ukrainian and Romanian border guards report numerous cases of flying devices transporting C&C cigarettes. For example, in December 2017, the Romanian Border Police in the Maramureş County detained two smugglers who used a drone to transport cigarettes to Hungary.¹¹⁰ Similar incidents

¹⁰⁸ Melorio.

¹⁰⁹ Ibid.

¹¹⁰ The Romanian Border Police, “Drones on the northern border,” December 17, 2017, [in Romanian], <https://www.politiadefrontiera.ro/ro/sighetu-marmatiei/i-contrabanda-cu-drona-la-frontiera-de-nord-11224.html>

were registered by the State Border Guard Service of Ukraine and the State Border Committee of the Republic of Belarus at the EU eastern borders.¹¹¹

The Cable Method and Floating Devices

To cross river borders, smugglers use various floating devices and the so called “cable” method, whereby boxes of cigarettes are transported by wire cables connected to both shores. For example, along the Tisza River, which flows through Ukraine, Romania, Hungary, and Serbia, smugglers use both the cable method and rafts, dinghies, and pontoon boats. On this route, smugglers are especially active during the night time, using a wide range of communication devices, radiotelephones, thermal devices, and night vision equipment.¹¹²

Trains

A new trend that became evident in 2016 was a growing number of cases reported by the EU member states bordering with Belarus and Ukraine, where cargo trains heading to Latvia, Lithuania and Poland were used to transport C&C cigarettes.¹¹³ The key reason why cargo trains became a popular *modus operandi* among smugglers at the EU eastern borders relates to the fact that it is difficult to identify perpetrators. Even if the illicit cargo is confiscated, smugglers remain undetected.¹¹⁴ Recently, Ukrainian customs officers and guards of the Lutsk border detachment detained more than 1,000 packs of cigarettes hidden in upholstered doors in a train from Kyiv to Warsaw.¹¹⁵ In another case, in April 2017, officers from the Polish Border Guard found C&C

¹¹¹ State Border Committee of the Republic of Belarus, “Ukrainian plane dropped 25 thousand packs of cigarettes in Poland,” [in Russian]. http://gpk.gov.by/news/za-rubezhom/21918/?sphrase_id=9783199; “In the L’viv region, smugglers used drones to smuggle cigarettes” [in Russian]. December 9, 2017, LB. https://lb.ua/society/2017/12/09/384344_lvovskoy_oblasti_kontrabandnie.html.

¹¹² See, e.g., The Romanian Border Police, “Firearms hold smugglers of cigarettes,” [in Romanian], Jan. 11, 2018, <https://www.politiadefrontiera.ro/ro/sighetu-marmatiei/i-focuri-de-arma-pentru-retinerea-contrabandistilor-de-tigari-11569.html>; The Romanian Border Police. (2018, January 10). “Ukrainian citizen detained while trying to illegally smuggle cigarettes into the country,” [in Romanian], Jan. 10, 2018, <https://www.politiadefrontiera.ro/ro/main/i-cetatean-ucraianean-retinut-in-timp-ce-incerca-sa-introduca-ilegal-in-tara-tigari-de-contrabanda-11434.html>.

¹¹³ Frontex, European Border and Coast Guard Agency. (2017). Eastern Partnership Annual Risk Analysis 2017, 5.

¹¹⁴ Ibid, 14.

¹¹⁵ State Border Guard Service of Ukraine. (2016). Unknowns Hid More than 1000 Packs of Cigarettes in “Kyiv – Warsaw” Train, <http://dpsu.gov.ua/en/news/unknowns-hid-more-than-1000-packs-of-cigarettes-in-kyiv-warsaw-train/>

cigarettes in freight wagons carrying iron ore from Ukraine.¹¹⁶ In these cases, the border guards were not able to identify perpetrators who had arranged the transport of C&C cigarettes in trains.

Conclusions

The illicit cigarette trade is a multi-billion dollar industry that is harmful to states due to losses in taxes and the high levels of corruption it yields. This study has focused on two key hubs of this trade in Europe, France (the largest European market for illicit cigarettes) and Naples which is the key hub for Italy. The analysis sought to understand the sources of this contraband, the routes that furnish these cigarettes to these destinations and the conditions that make these locales distinctive. In both cases, we found that this trade is exacerbated by recent conflicts, long histories of smuggling and illicit networks, the presence of large numbers of migrants without the possibility of legal employment and an environment which does not consider the purchase of illicit cigarettes a crime. Organized crime networks are key in explaining Naples as a hub. In France, there is less a problem of institutionalized organized crime but longstanding illicit networks as well as the problem of hybrids linked to the cigarette trade in North Africa.

In France, the motivation for such purchases appears to be associated with the high rates of taxation on legal cigarettes that make smokers look for alternatives. In Italy, it is a general absence of respect for the rule of law—part of the Camorra culture—as well as a form of rebellion against the state. Consumers do not consider the criminals behind this trade in either environment. Nor are they aware that this trade may converge with other forms of illicit trade such as arms or human trafficking.

In both cases, we found that this trade is exacerbated by recent conflicts, long histories of smuggling and illicit networks, the presence of large numbers of migrants without the possibility of legal employment and an environment which does not consider the purchase of illicit cigarettes a crime

Cigarette smuggling cannot easily be controlled, because it is a transnational crime in which people

¹¹⁶ Border Guard of Poland. (2017). Smuggling under iron ore [in Polish]. <http://www.strazgraniczna.pl/pl/aktualnosci/4824,Przemyt-pod-ruda-zelaza.html?search=7014>

from many different countries participate as lone actors or as part of a long criminal chain.”¹¹⁷ Smugglers are often migrants with temporary visas who fly under the radar of local authorities, essentially they are “often invisible in migratory and tourist flows.”¹¹⁸ Moreover, the illicit trade is routinized by being integrated into the markets for food and daily items of consumption.

In France, however, there are some citizen organizations concerned about the growth of illicit trade in cigarettes in their neighborhoods, particularly such Parisian neighborhoods as Barbès where the community members are overwhelmed by the trade. They have urged local officials to action.¹¹⁹ There are also officials who have asked fines for purchasers of illicit cigarettes, placing responsibility on purchasers.¹²⁰

Corruption at the source of production, along the route and at the point of sale are also key to the pervasiveness of the phenomenon. Corrupt individuals include border officials, customs personnel and local police. There is well-documented high-level corruption in Ukraine that facilitates this illicit trade. The same can be presumed to operate in many locales in North Africa.

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Policy Recommendations - Overview

The cigarette trade in France and the Naples regions is linked to some of the most critical structural problems faced by the European Union at the present time. Therefore, these problems need to be addressed by the EU as they affect many more elements of European life, economy and politics than just the cigarette trade. Yet there are other measures that can be taken to address this specific form of illicit trade.

¹¹⁷ Melorio.

¹¹⁸ Benyagoub and Rauffer.

¹¹⁹ Mathieu Zagrodzki, Romain Maneveau and Arthur Persaia, *Commerce Illicite de Cigarettes: Les Cas de Barbès-La Chappelle, Saint-Denis et Aubervilliers-Quatre-Chemins, Novembre 2018, Fondation pour L’Innovation Politique*, http://www.fondapol.org/wp-content/uploads/2018/12/139-TABACillicite_2018-12-03_w.pdf.

¹²⁰ “Il faut responsabiliser les acheteurs,” *Le Parisien*, November 20, 2018, <https://www.pressreader.com/france/le-parisien-paris/20181120/282557314246812>.

The first thing that must be done is raise awareness and increase transparency as to the smuggling problem in the EU. While these are often considered victimless crimes, they actually are harmful to the state and reduce economic opportunity, as well as weaken institutions.¹²¹ A further recommendation is to enhance political will and leadership in anti-corruption and anti-smuggling programs.¹²² Leaders and institutions must be strong enough to control the public officials and customs officers who benefit from these criminal activities and oppose reform such as was seen in Odessa port example previously cited. Political will is key to this and citizens in Southern Italy have shown that popular concern for the consequences of organized crime have produced governmental action.

Leaders and institutions must be strong enough to control the public officials and customs officers who benefit from these criminal activities and oppose reform such as was seen in Odessa port example previously cited.

Additionally, time and efforts should be invested into data analysis and new methods of searching for and acquiring statistics regarding illicit cigarettes in and through Europe. With more complete data we can analyze where the weaknesses are and adjust policies accordingly.

Specific Recommendations:

Data analysis and New Detection Methods

There is a need for improved statistics related to the production, distribution, and smuggling of illicit cigarettes in Eastern Europe. There also needs to be much more information sharing among investigators within countries and across borders in real time using advanced informatics systems. At the current time, official statistics are based on cigarette seizures, which does not provide the big picture of the entire illicit business. The constantly evolving and refining *modi operandi* of smugglers require customs authorities to intensify their efforts to better analyze changes in the illicit supply chain. Investigators and customs officials should meet on a regular basis to discuss ways of strengthening data gathering. These efforts, combined with new advanced tools and

¹²¹ Melorio.

¹²² Ibid.

network analysis, have a potential to provide a clearer picture of strategies and tactics used by perpetrators. This analysis will help find new methods and technology solutions to identify suspicious cross-border activities.

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The risk of smuggling activity at the EU eastern borders is increasing. Taking into account the growing traffic of people and vehicles passing through border checkpoints, the workload of border guards at the EU eastern borders is expected to become heavier. Physical inspection is a time-consuming and labor-intensive process that requires significant human resources. The use of canines proved to be efficient in detecting smuggled cigarettes.¹²³ Hence, it is recommended to train dogs to sniff out tobacco products in all EU eastern border checkpoints. Traditional methods should necessarily be combined with new technology solutions and intelligence methods. The installment of x-ray scanners in all border checkpoints in all EU eastern border checkpoints would help improve their capabilities in averting illicit cigarette smuggling.

Strengthening multilateral cooperation between Eastern European and EU's customs authorities

Joint customs operations carried out by the customs authorities of EU and non-EU countries have proved to be successful in targeting illicit tobacco products of Eastern European origin. For example, in 2016, the Estonian Customs Administration and the European Anti-Fraud Office (OLAF) launched Operation MAGNUM to target smuggling of tobacco products transported by road into the EU from Ukraine, Belarus, and Russia. The operation involved five other EU member states (Estonia, Finland, Latvia, Lithuania and Poland). Around 11 million cigarettes were seized

¹²³ State Border Guard Service of Ukraine. (2017). Border Guard Sniffer Dogs Helped to Found Cigarette Worth 5 Million UAH. Retrieved from <http://dpsu.gov.ua/en/news/border-guard-sniffer-dogs-helped-to-found-cigarette-worth-5-million-uah/>

during this operation.¹²⁴ In 2017, over 19 million cigarettes were seized during the subsequent joint customs operation entitled MAGNUM II that involved 14 European member states.¹²⁵ Real-time exchange of intelligence information is a key factor behind the success of such operations. In addition, since 2015, experts from OLAF and EU's customs authorities have focused on organizing multilateral dialogues on smuggling issues with Eastern European countries. Such dialogues have a high potential to improve border cooperation aimed at preventing the illicit tobacco trade.¹²⁶

Enhancing cooperation with health authorities, the media, and private businesses

The organization of a public campaign to raise public awareness of the dangers of illicit cigarettes requires collaboration among multiple law enforcement agencies, health organizations and media outlets, not only internally, but also in EU member states. It is necessary to enhance cooperation with legitimate private stakeholders involved in the supply chain, including shippers, carriers, freight forwarders, or warehousing companies. For example, in 2011, in a joint operation initiated by France, 150 law enforcement officers from 5 countries (Hungary, Slovak Republic, Czech Republic, Germany and Italy) dismantled a large network of cigarette smugglers operating from Ukraine. The investigation, which was launched in France, revealed the existence of a highly structured criminal organization established in the region of Uzhgorod in Ukraine's Transcarpathia. The group included Ukrainian, Slovak, Czech and German nationals. Its Ukrainian leader was arrested by the Hungarian authorities at the Serbian border.¹²⁷ This network operated through front companies opened by Ukrainian immigrants in several of the EU Member States, including Italy, Germany, the Czech Republic and Slovak Republic. These companies used commercial carriers to transport their illicit merchandise, such as *Transshipments* in France and well-established transport companies in other countries. In this respect, it is important to involve

¹²⁴ OLAF, European Anti-Fraud Office. (2016). Operation MAGNUM. Retrieved from https://ec.europa.eu/anti-fraud/policy/joint-customs-operations/magnum_en

¹²⁵ OLAF, European Anti-Fraud Office. Operation MAGNUM II, 2017, https://ec.europa.eu/anti-fraud/media-corner/news/05-12-2017/joint-customs-operation-magnum-ii-real-time-intelligence-exchange-leads_en.

¹²⁶ European Commission, "Progress Report on the Implementation of the Commission Communication Stepping up the Fight Against Cigarette Smuggling and Other Forms of Illicit Trade in Tobacco Products - a Comprehensive EU Strategy," (Com (2013) 324 Final of 6.6.2013)" (No. COM(2017) 235 final), 2017 Brussels.

¹²⁷ Europol. (2011), "Large International Operation Against Cigarette Smuggling Networks," 2017, <https://www.europol.europa.eu/newsroom/news/large-international-operation-against-cigarette-smuggling-networks>.

private companies into anti-smuggling activities and share their unique experience and expertise with other actors.

Tax Policies

An additional policy recommendation would be to synchronize the taxes on cigarettes and penalties for the smuggling of tobacco products. Currently, the punishments are not severe and vary widely among different states. There has been little analysis done to understand at which taxation point citizens are ready to become purchasers of illicit cigarettes. As the great enlightenment thinker Cesare Beccaria wrote: “contraband doesn’t produce indignation in public opinion [...] this crime is born from the law itself because when the tax grows, the advantage and the temptation to smuggle grow [...].”

Civil Society and Illicit Trade

The consequences of this pervasive illicit trade are many. The impunity of smugglers causes distrust in state institutions and tolerance for illegal activities. As the “Broken windows theory” teaches, when the State does not punish crime, people start thinking crime is normal activity. The motto becomes: “if everybody does it, I can do it” and if the purchase of smuggled cigarette becomes normal, the retailers are perceived as normal and cigarette trafficking is considered as one of the normal commercial activities. The culture of illegality, in this way, can spread like wildfire. This remains a serious problem in Italy, although some progress has been made, compared to the past, particularly in the Campania region.¹²⁸ Similar problems exist in Southern France.

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¹²⁸ Melorio.

Many Italians stand against criminal organizations in Italy. But these people distrust state institutions when they see impunity for smugglers. The Italian state loses its authority when it tolerates illegal activities, including cigarette smuggling. Today the anti-mafia culture is more present and the people who do not report the crimes of the mafias to the police do it for two reasons: fear of violent retaliation from the Camorra clans and/or distrust in state law enforcement institutions repression. Fear and distrust provide a fertile soil for the growth of the Camorra. Therefore, their role in the illicit trade of cigarettes must be part of their consciousness. As the late murdered anti-mafia judge Giovanni Falcone said, to find the mafiosi, it is necessary to follow the flow of money. This also applies to cigarette smuggling in many locales.

In Paris, France, there has been an active civil society response against the illicit trade in certain areas with large numbers of sellers. This has been particularly prevalent in Paris neighborhoods where there has been some gentrification. Therefore, market forces and personal investment have led to a more pronounced response than previously.¹²⁹

¹²⁹ Anthony Lieures, “Stop Au trafic de clopes,” *Le Parisien*, October 31, 2018.