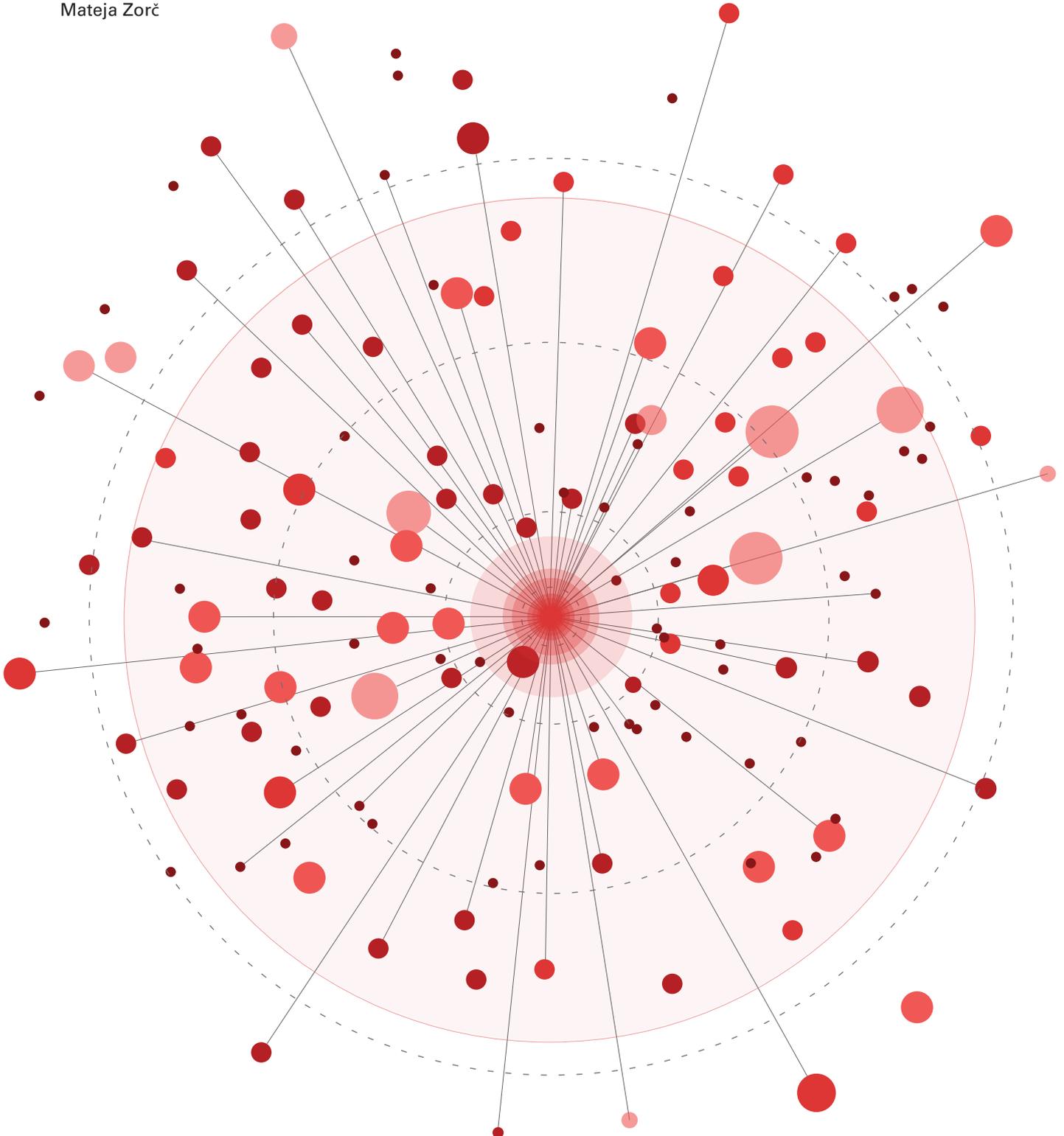


The Belarusian Hub for Illicit Tobacco

Executive summary

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KEY MESSAGES

1

Belarus and Russia are among the major suppliers of illicit cigarettes in the EU.

2

Illicit whites brands of the Russian Baltic Tobacco Factory and the Belarusian Grodno Tobacco Factory Neman are the most spread in Europe.

3

High taxes in EU countries contribute to high price differentials with Belarusian cigarettes. This can increase the profitability of smuggling.

4

In Belarus, the export phase is vulnerable to smuggling due to lack of effective regulatory measures (e.g. quotas).

5

The economic difficulties faced by Russia and Belarus further increase the risks of ITTP.

EXECUTIVE SUMMARY

Key hubs are crucial sets of countries on the regional, continental or global map of the illicit trade in tobacco products (ITTP). The analysis of key hubs instead of single countries enables a more comprehensive understanding of the factors determining transnational illicit flows and a more effective identification of the strategies needed to fight and prevent the ITTP. The following elements often characterise key hubs:

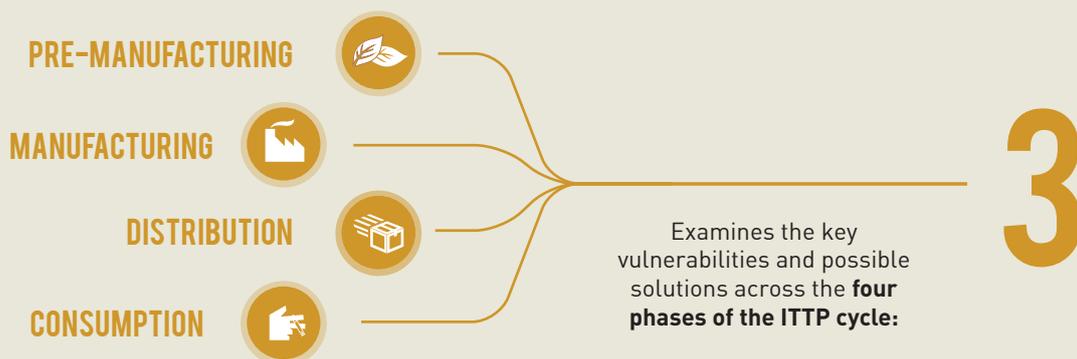
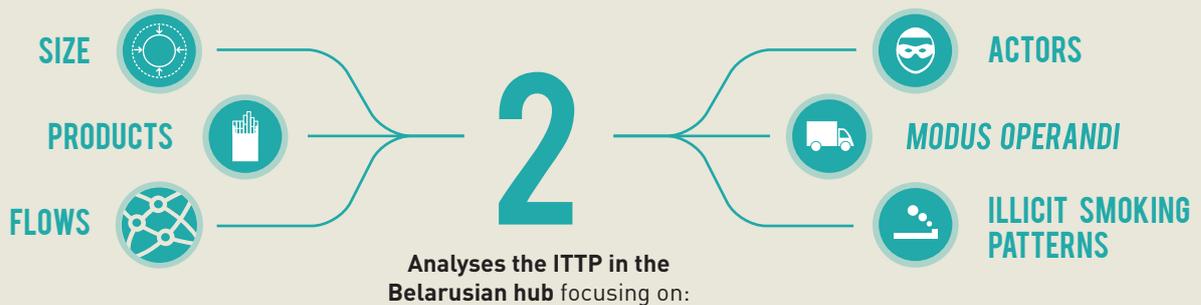
- medium to high levels of the ITTP in the hub,
- significant price differentials of tobacco products across the hub,
- extensive engagement of local manufacturers in the ITTP and
- substantial flows of illicit tobacco to, within or from the hub to other countries.

This report focuses on the **Belarusian hub** for illicit cigarettes. Belarus is the center of the hub because it is a source for illegal tobacco products destined to the EU. The surrounding countries are included for different reasons. Russia and Ukraine used to play a significant role in the ITTP flows and still remain important sources of illicit products. Other countries within the hub, such as Lithuania, Poland, Latvia, are both destination and transit countries of the Belarusian illicit tobacco flows. The report takes the name of the center of the hub.

3 CHAPTERS:

1

Defines the **hubs for illicit tobacco**, explains their relevance for understanding the ITTP, identifies the Belarusian hub and outlines the **four key vulnerabilities** that influence the key hubs:



WHY ANALYSE THE KEY HUBS FOR ILLICIT TOBACCO?

1

Key hubs are crucial sets of countries on the regional, continental or global map of the illicit trade in tobacco products. The analysis of key hubs is important because the ITTP is a transnational illicit market. Based on previous research, Transcrime has identified **four key vulnerabilities** that may generate a key hub:



LEGAL TOBACCO MARKET



SOCIO-ECONOMIC CONDITIONS



CRIME CONTEXT



ENFORCEMENT ACTIONS

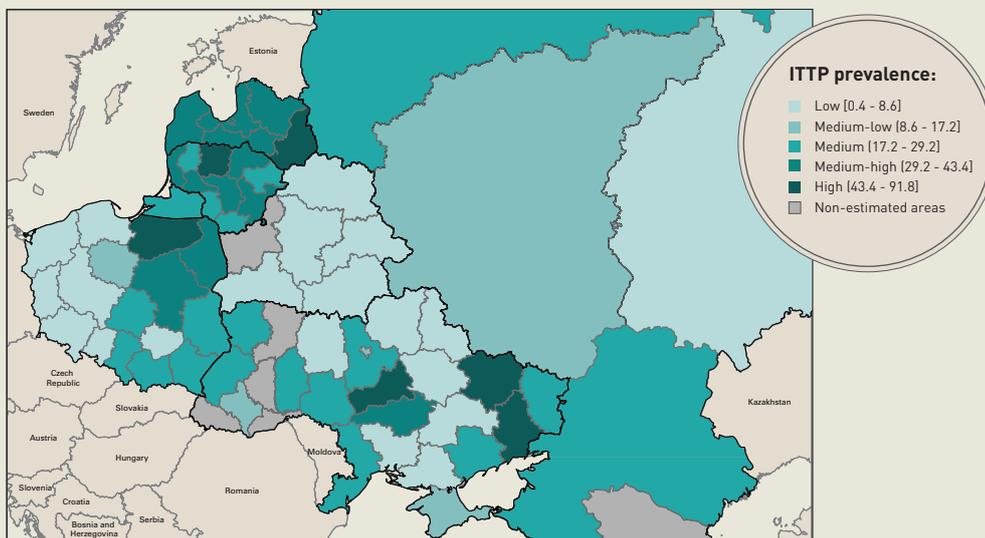
THE ITTP IN THE BELARUSIAN HUB

2

SIZE



Map 1. ITTP prevalence in the Belarusian hub, mn sticks per 100,000 inhabitants (2015)



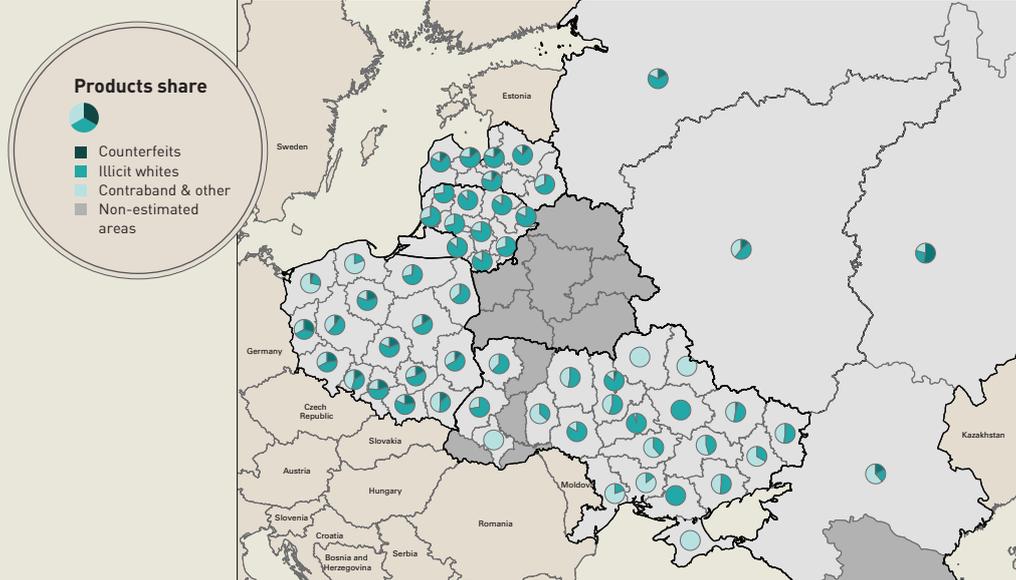
The EU countries of the Belarusian hub recorded high ITTP prevalence (mn sticks per 100,000 inhabitants) in 2015. The regions of EU countries bordering Belarus registered the highest prevalence, while Belarus recorded the lowest one, being the source country.

Source: Transcrime estimates (see Annex for further details)

PRODUCTS



Map 2. Illicit tobacco products in the Belarusian hub by area and type (2015)



In the Belarusian hub, illicit whites were the most widespread products in 2015, followed by contraband & others.

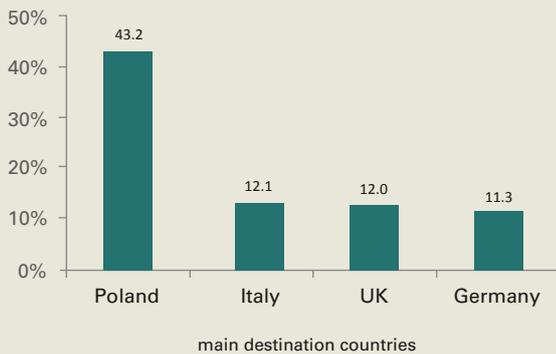
Source: Transcrime estimates (see Annex for further details)



In 2015 Belarus was the main source country of non-domestic cigarettes for many EU countries. The majority of these cigarettes have Poland and Italy as their main destinations (48.8% and 12.1% of total Belarusian cigarettes, respectively) (Figure 1).

From the hub, cigarettes spread to Germany (30.1% of the total flows from the Belarusian hub), Poland (22.6%), the United Kingdom (UK) (17.8%), and Italy (9.7%) (Figure 2).

Figure 1. Main destinations of Belarusian non-domestic cigarettes (% of the total Belarusian cigarettes, 2015)



Source: Transcrime elaboration on EPSs data

Figure 2. Main destinations of non-domestic cigarettes from the Belarusian hub (% of the total flows from the Belarusian hub, 2015)

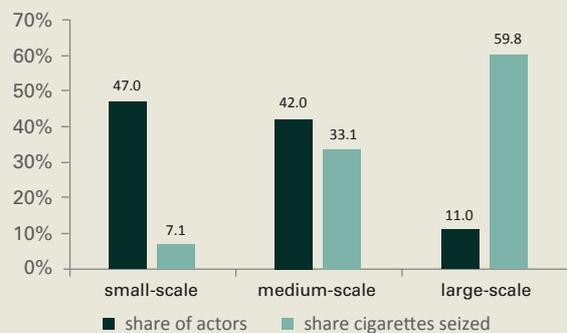


Source: Transcrime elaboration on EPSs data



ACTORS

Figure 3. Share of actors (N=1,337) and cigarettes seized (N=415 mn sticks) per category of ITTP actors in Belarus (2010-2015)



Source: Transcrime elaboration on BEST database

Large-scale actors (11.0% of the sample) account for 59.8% of the cigarettes seized. Conversely, small-scale actors are more numerous (47.0%), but they transport only 7.1% of the cigarettes.

MODUS OPERANDI



Actors mainly use motor-vehicles to transport illicit cigarettes, which are sold primarily in open-air markets. In Belarus, actors mainly use motor-vehicles to smuggle these products, or they transfer them into the neighbouring countries via rivers. In Belarus, cigarettes are mainly stored in the forests near the borders.



ILLICIT SMOKING PATTERNS

The consumption of non-domestic cigarettes is higher in EU cities near the borders with non-EU countries. The highest shares are on the Polish border with Kaliningrad Oblast (Russia) and Belarus, and on the Latvian and Lithuanian borders with Belarus.

THE FOUR PHASES OF THE ITTP CYCLE

This chapter analyses the interaction among the four phases of the ITTP cycle and the vulnerabilities on the ITTP in the Belarusian key hub. It recommends possible interventions for preventing and fighting the ITTP.

? Risk ✓ Solution

3

1. PRE-MANUFACTURING

- ? Excess import of acetate tow
- ✓ - Improve controls over key inputs
- Introduce external monitoring over Belarusian manufacturers
- ? Uncontrolled supply of raw tobacco in the hub
- ✓ Monitor raw tobacco in the hub

3. DISTRIBUTION

- ? Exports are vulnerable to the ITTP
- ✓ Introduce licensing and record keeping for exports and mandatory destruction of seized tobacco products
- ? - Large shadow economy in the hub
- High public tolerance towards smuggling
- ✓ - Hot spot policing to control vulnerable places
- Higher sanctions on smuggling and improved enforcement
- ? - Established criminal routes
- High corruption levels
- ✓ - Increase controls at vulnerable border crossing points
- Identify criminals frequently engaged in the ITTP
- ? - Seizures of illicit tobacco in the EU hub countries are low (7-14% of the ITTP)
- Growing seizures of nasvay in Belarus
- ✓ - Implement hot spot policing
- Strengthened penalties for the trade in nasvay

2. MANUFACTURING

- ? Local companies may be involved in illicit whites production
- ✓ Introduce controls over cigarette exports (e.g. quota)
- ? Economic stagnation of the region
- ✓ Liberalisation of the domestic business environment
- ? Penetration of OC groups in state structures and economy
- ✓ Increase cooperation with Europol and Interpol on tackling organised crime
- ? - Illicit production facilities in the hub
- Uncontrolled circulation of the manufacturing equipment
- ✓ - Exchange of information
- Monitor the displacement of the equipment
- Mandatory destruction of confiscated machinery

4. CONSUMPTION

- ? Low taxation and prices in Belarus fuel the ITTP
- ✓ Gradually harmonise the prices of Belarusian tobacco products
- ? Social acceptance of the consumption of illicit tobacco
- ✓ Reinforce awareness campaigns involving stakeholders
- ? Low levels of perception of punishment for this crime
- ✓ Address the illegal trade with awareness campaigns