

ITTP NEXUS IN EUROPE AND BEYOND

0 KEY
MESSAGES

2019

KEY MESSAGES

ITTP NEXUS in Europe and Beyond

Acknowledgements and credits

This booklet is part of the *ITTP NEXUS in Europe and Beyond* Report. This report was prepared by a Research team of Transcrime, Joint Research Center on Transnational Crime of the Università Cattolica del Sacro Cuore, the Alma Mater Studiorum Università di Bologna and the Università degli Studi di Perugia, under the supervision of Ernesto U. Savona, Director of Transcrime.

General coordination and content overview

Ernesto U. Savona

Booklet author

Transcrime

Editors

Alberto Aziani

Marco Dugato

Research team, Università Cattolica del Sacro Cuore – Transcrime

Antonio Bosisio; Francesco Calderoni; Carlotta Carbone; Luca Cinciripini; Tommaso Comunale; Serena Favarin; Alessio Fontana; Federica Daphne Ierace; Elias Mamo Fiedle; Marina Mancuso; Martina Marchesi; Cecilia Meneghini; Riccardo Milani; Rogier Alexander Rutgers.

Data management

Crime&tech s.r.l.

Graphic design and production

Ilaria Mastro

Administrative support

Chiara Turturo

Suggested citation: Transcrime. 2019. "Key Messages - ITTP NEXUS in Europe and Beyond". In *ITTP NEXUS in Europe and Beyond*, edited by Alberto Aziani and Marco Dugato. Milano: Transcrime – Università Cattolica del Sacro Cuore.

© 2019

ISBN: 978-88-99719-13-5

The Research team of Transcrime acknowledges the invaluable contributions and advice provided by representatives of law enforcement agencies, customs, academics and researchers.

The project Nexus is financed by PMI IMPACT, a global grant initiative of Philip Morris International, to support projects dedicated to fighting illegal trade and related crimes (<https://www.pmi-impact.com/>).

This publication reflects the views only of the Authors and of the Research team.

Preface

Cigarette trafficking is a global and complex crime. In the EU MSs, 40 billion illicit cigarettes are consumed originating from 128 countries spread across five continents. Most of these cigarettes originate from non-EU countries where cigarette prices are low, and there are weaknesses in the law enforcement, control, and regulatory systems.

Like cigarette trafficking itself, research on the topic must extend beyond national and regional borders. This transnational dimension calls for an analysis that considers the interaction between multiple countries to reveal, understand, and monitor cigarette trafficking in the EU. In particular, it should account for a wider context including the non-EU countries that are involved in the production, transit and consumption of illicit cigarettes. Only the combination of local and macro-regional perspectives enables the identification of the main factors behind the transnational illicit flows of cigarettes and the designing of effective policies to curb them.

In light of these considerations, *ITTP NEXUS in Europe and Beyond* includes an analysis of the illicit flows of cigarettes moving through EU countries, by also examining the role of and the connections with

relevant countries in North Africa, the Middle East, and Central Asia. The project identifies and quantifies these flows and highlights the existing connections within political, legislative and socio-economic frameworks. Through this process, *ITTP NEXUS in Europe and Beyond* provides an assessment of the enabling factors behind transnational cigarette trafficking.

The *ITTP NEXUS in Europe and Beyond* Report is presented in the form of 7 booklets, each focusing on a specific aspect of cigarette trafficking. Booklet 1 provides an overview of the main characteristics of the transnational cigarette trafficking network in Europe and beyond. Booklets 2, 3, 4 trace and explain the trafficking of cigarettes along the three main routes targeting European markets. These booklets are divided by route: Booklet 2 – the North-Eastern Route; Booklet 3 – the Extended Balkan Route; Booklet 4 – the Maghreb Route. Booklet 5 discusses the contextual factors and drivers behind cigarette trafficking and its evolution over time, relying on original estimates and analyses. Based on the total results of the analysis from Booklets 1-5, Booklet 6 puts forward policy implications to tackle the transnational illicit flows of cigarettes, overcome regulatory

gaps, and develop preventive measures for the reduction of specific risk-factors. Finally, Booklet 7 concludes the Report by detailing the methodological approach adopted to determine the estimates and analyses presented in this booklet series.

The results emerging from *ITTP NEXUS in Europe and Beyond* emphasise the importance of an integral and multilateral approach which involves multiple countries and simultaneously considers the demand, supply, and transfer of illicit cigarettes. The aim of the Report is to increase awareness about cigarette trafficking and its magnitude at regional and international levels. At the same time, the project's findings could be used to anticipate future scenarios, thus assisting governments and other stakeholders to forecast and prevent crime and to orient and support their regulatory choices. Finally, the comprehensive methodological approach suggested by this project could potentially be used for analysing other transnational illicit markets and criminal activities.

Table of contents

BOOKLET 0

KEY MESSAGES

CIGARETTE TRAFFICKING – Booklet 1	8
NORTH-EASTERN ROUTE – Booklet 2	9
EXTENDED BALKAN ROUTE – Booklet 3	10
MAGHREB ROUTE – Booklet 4	11
CONNECTIONS – Booklet 5	12
POLICY IMPLICATIONS – Booklet 6	14

BOOKLET 1

CIGARETTE TRAFFICKING

Introducing the Transnational Dimension of Cigarette Trafficking in Europe and Beyond

BOOKLET 2

NORTH-EASTERN ROUTE

Mapping Cigarette Trafficking Along the North-Eastern Route

BOOKLET 3

EXTENDED BALKAN ROUTE

Mapping Cigarette Trafficking Along the Extended Balkan Route

BOOKLET 4

MAGHREB ROUTE

Mapping Cigarette Trafficking Along the Maghreb Route

BOOKLET 5

CONNECTIONS

Explaining the Factors Driving Illicit Flows of Cigarettes

BOOKLET 6

POLICY IMPLICATIONS

Presenting Policies to Tackle Cigarette Trafficking

BOOKLET 7

METHODOLOGY

Estimating Illicit Flows of Cigarettes and the Impact of Enabling Factors



CIGARETTE TRAFFICKING Booklet 1

Transnational cigarette trafficking is a complex global crime

Illicit cigarettes account for about 10% of the total consumption in 57 countries located in Europe, North Africa, the Middle East and Central Asia. 132 billion illicit cigarettes are consumed annually in these countries.

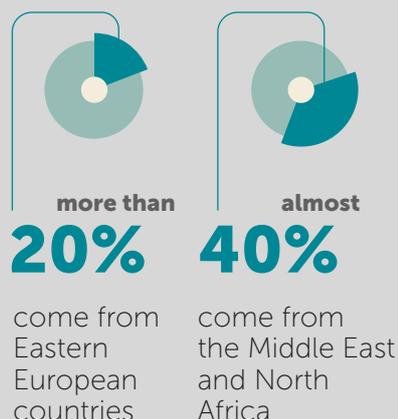
132 billion illicit cigarettes consumed in

57 countries

10% of total consumption is illicit



Illicit cigarettes consumed in the EU:



Cigarette trafficking is a global crime. EU citizens consume almost 40 billion illicit cigarettes annually. These cigarettes originate in 128 countries across 5 continents. Additionally, 14.7 billion cigarettes of unknown origin are also consumed in the EU.

The majority of illicit cigarettes consumed in the EU originate from non-EU countries.

- More than 20% come from Eastern European countries (mainly Ukraine and Belarus).
- Almost 40% come from other regions, mainly the Middle East (United Arab Emirates) and North Africa (Algeria).

Traffickers exploit numerous paths to move cigarettes from country to country. Almost 900 different connections link the 150 countries involved in the trafficking of cigarettes to Europe, North Africa, the Middle East and Central Asia.

Trafficking paths bringing cigarettes into Europe **cluster along 3 main routes:**

- the North-Eastern Route
- the Extended Balkan Route
- the Maghreb Route

Contraband genuine cigarettes are the main type of illicit cigarettes consumed in the EU (66% of the illicit market). The origin of these contraband cigarettes is unknown in 16% of the cases. **Illicit whites account for 28% of the EU illicit consumption.** Counterfeits represent around 6% of the EU illicit market.

Figures refer to 2017, unless otherwise reported.

NORTH-EASTERN ROUTE Booklet 2

Eastern European countries continue to be the key origin of illicit cigarettes consumed in the EU

The 'North-Eastern Route' refers to the illicit flows of cigarettes that originate in Eastern European countries outside the EU (i.e., Belarus, Moldova, Russia, Ukraine) and reach EU countries.

More than **1 out of 4 illicit cigarettes**—of known origin—**consumed in the EU are trafficked along the North-Eastern Route**. This equals to more than 10 billion cigarettes per year.

The volume of trafficking along the North-Eastern Route **decreased by almost 50%** from 2008-2012 to 2017. This reduction was mainly due to increases in:

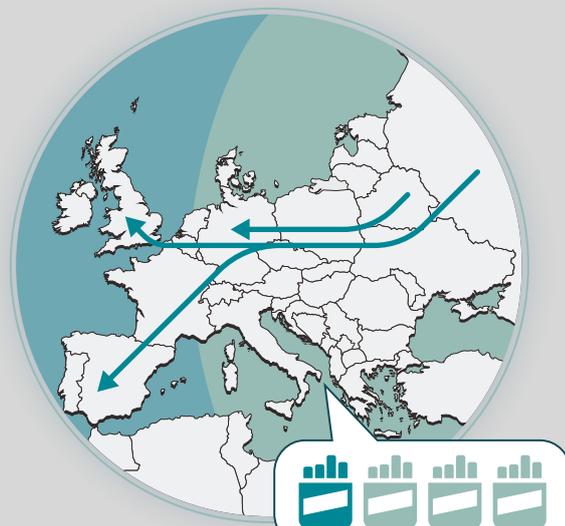
- the prices of cigarettes in extra-EU countries (e.g., Russia, Ukraine), which reduces incentives to smuggle cigarette from those countries;
- the effectiveness of controls on external EU borders (e.g., Poland);
- the flow of illicit cigarettes from other areas of the world (e.g., Middle East).

Russia has lost its role as a key origin country and it **is becoming an important destination for illicit cigarettes**. Illicit consumption in the country increased tenfold from 2008-2012 to 2017, primarily due to increases in excise taxes on cigarettes.

Belarus and Ukraine are the main countries of origin of cigarettes trafficked along the North-Eastern Route.

About **50% of the illicit cigarettes flowing along the North-Eastern Route are illicit whites**.

Organised Criminal Groups (OCGs), such as those in Russia, Ukraine and Belarus, **are involved in large-scale cigarette trafficking** along the North-Eastern Route.



1 out of 4 illicit cigarettes consumed in the EU are trafficked along the North-Eastern Route

2008-2012

-50%

2017

DECREASE in the volume of trafficking

OCGs



Key traffickers

operating in:



Russia



Belarus



Ukraine

Emerging black market

Main origins



EXTENDED BALKAN ROUTE Booklet 3

The focal point of cigarette trafficking in the Extended Balkan Route shifted South-East towards Bulgaria and Turkey

The 'Extended Balkan Route' refers to illicit flows of cigarettes transiting through the Balkans and Turkey.

The Extended Balkan Route is exploited by traffickers to:

- introduce cigarettes into the **Balkan Peninsula**;
- provide illicit cigarettes to the **Turkish illicit market**;
- bring illicit cigarettes to **EU markets** in South (e.g., Italy), Central (e.g., Austria, Hungary) and Western Europe (e.g., Germany).

Approximately **29 billion illicit cigarettes** are smuggled along the **Extended Balkan Route**.

30% of these cigarettes—8.7 billion—are sold in the EU.

The remaining 70% includes as main final destinations: Turkey, Russia, Tunisia, Lebanon and Iraq.

Illicit flows bound for the EU MSs **diminished by 40%** between 2008-2012 and 2017.

The United Arab Emirates and Bulgaria are the main countries of origin of trafficked cigarettes.

OCGs—especially Bulgarians—are the **key traffickers along the Route**; these OCGs often traffic also drugs, firearms, stolen cars, alcohol, and human beings.

29 billion illicit cigarettes

are trafficked along the Extended Balkan Route

30% of the illicit cigarettes are sold in the EU

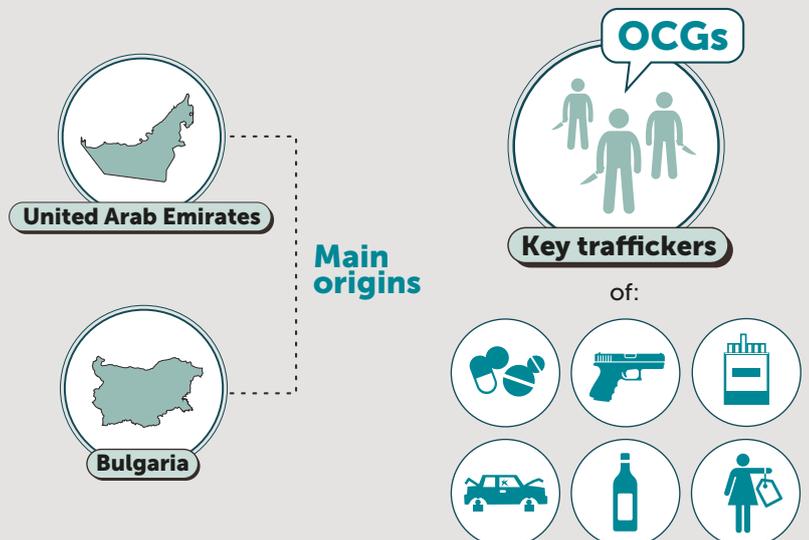
8.7 billion

2008-2012

-40%

2017

DECREASE in the illicit flows bound to EU MSs



Figures refer to 2017, unless otherwise reported.

MAGHREB ROUTE

Booklet 4

Cigarette trafficking from the Maghreb to the EU is strengthening due to the political instability of some countries in the area

The 'Maghreb Route' refers to illicit flows of cigarettes transiting—from East to West—through Libya, Tunisia, Algeria, Morocco, Mauritania and Western Sahara and bound primarily for the local illicit markets and European illicit markets.

More than **10 billion cigarettes** are trafficked along the entire Maghreb Route.

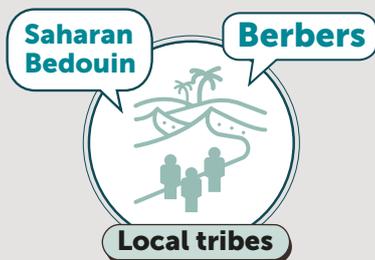
Illicit outflows towards Europe have tripled in recent years, from 1.4 billion on average between 2008-2012 to 4.3 billion in 2017.

The **United Arab Emirates is the main country of origin** of cigarettes trafficked through the Maghreb. **Libya is a key transit country** for illicit cigarettes trafficked from the United Arab Emirates to Algeria and Tunisia. **France is the main destination country in the EU.**

Illicit whites account for about **45% of the illicit consumption** in the Maghreb area.

Local tribes, such as Berber (Tuareg) and Saharan Bedouin (Tebu), **engage in cigarette trafficking.**

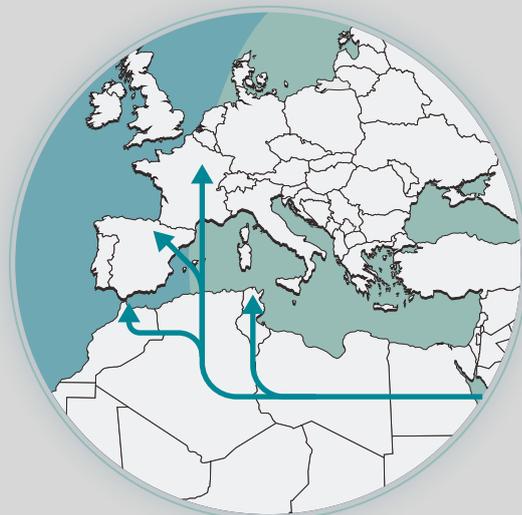
Terrorist groups (e.g., AQIM) actively support and **exploit the smuggling activities** of tribes and local communities **to finance jihadist activities.**



engage in
CIGARETTE TRAFFICKING

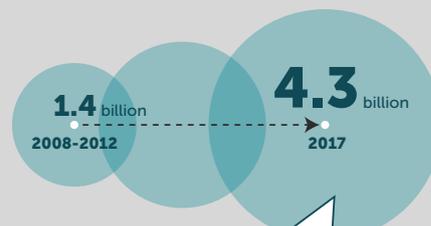


exploit the
smuggling
activities to finance
JIHADIST ACTIVITIES

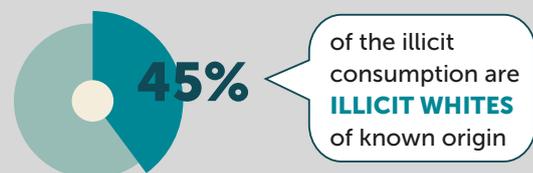
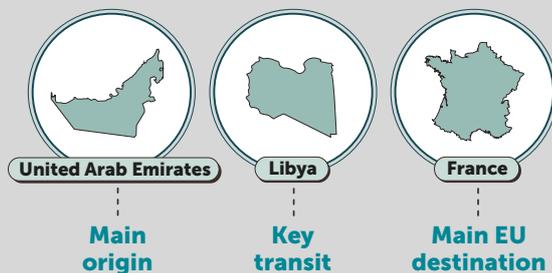


10 billion illicit cigarettes

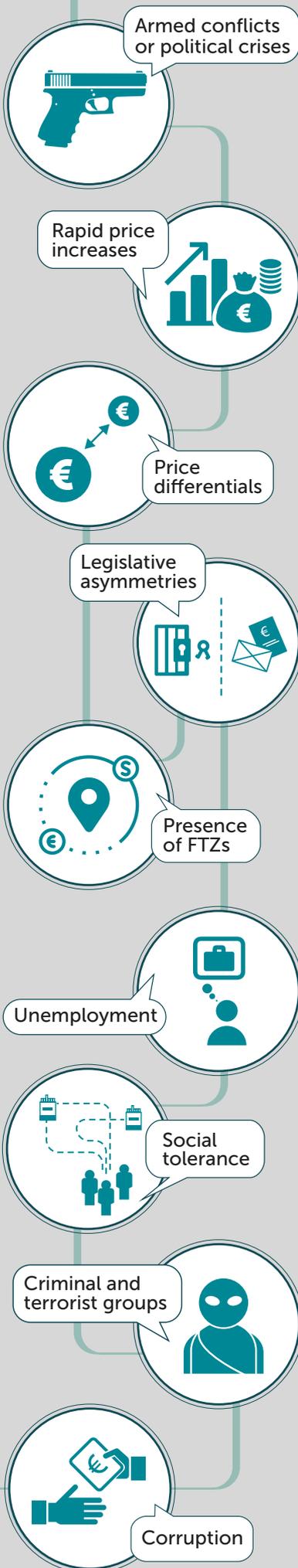
are trafficked along the entire Maghreb Route



Illicit outflows towards Europe have **TRIPLED** in recent years



Figures refer to 2017, unless otherwise reported.



CONNECTIONS

Booklet 5

The factors influencing the probability of a state becoming an origin, transit, or a destination country are multiple and interconnected

Countries with **ongoing armed conflicts** or facing **political crises** are disproportionately involved in cigarette trafficking.

- Traffickers take advantage of the reduced capacity of state authorities to control their territory. Facing a lower risk of detection, they engage more actively in cigarette trafficking.

Rapid price increases—e.g. due to expanding taxation—create incentives to turn to the black market.

- In particular, as the price of legal cigarettes increases, smokers in poor living conditions are more likely to buy illicit cigarettes.

Cigarette **price differentials** among countries impact on the illicit flow of cigarettes.

- The higher the price differential between countries, the greater the illicit flow of cigarettes from low to high price countries.

Legislative asymmetries among countries may cause the displacement of cigarette smuggling to countries where penalties for cigarette trafficking are more lenient.

- In the presence of legislative asymmetries, traffickers tend to move their illicit activities to countries where penalties are less punitive.

The **presence of Free Trade Zones (FTZs)** increases a country's probability of engagement in cigarette trafficking.

- Smugglers exploit the light regulation and the reduced legal burden in the FTZs to hide, transfer, produce, and repackage illicit cigarettes. Through FTZs, illicit cigarettes can flow to their destinations by avoiding different kinds of control.

Figures refer to 2017, unless otherwise reported.

Unemployment positively affects the volume of illicit cigarettes trafficked.

- Consumers with a low purchasing power may choose to buy illicit cigarettes, fueling the demand for illicit products.
- Cigarette trafficking is a profitable way to earn a livelihood for unemployed people.

Social tolerance of cigarette smuggling and the purchasing of illicit cigarettes increases cigarette trafficking and illicit consumption.

- The social acceptance of cigarette trafficking is often related to poor living conditions or an unstable political situation.

Criminal and terrorist groups favour the trafficking of cigarettes.

- Criminal groups exploit their expertise in other forms of trafficking to engage in cigarette trafficking and profit from it.
- Terrorists exploit cigarette trafficking to fund their activities.

Corruption among politicians and custom officers facilitates the illicit production and transnational trafficking of cigarettes.

- Countries with higher levels of corruption receive larger illicit inflows of cigarettes. A 1% increase in corruption levels leads to a 28% increase in illicit inflows of cigarettes.



Cigarette trafficking

Criminals exploit instability to avoid detection

Finance paramilitary operations

Armed conflicts



Figures refer to 2017, unless otherwise reported.

 **6.3€**

Price of 1 pack of the most sold cigarettes in GERMANY

How many packs can you buy for the same price in other countries



BELARUS



CZECH REPUBLIC



LITHUANIA



POLAND



UKRAINE



1%
increase in
corruption levels



28%
increase in
illicit inflows
of cigarettes

POLICY IMPLICATIONS

Booklet 6

Effective solutions to cigarette trafficking need to incorporate political, regulatory, procedural, economic, technological, cultural components

Strengthening institutional and legal enforcement

capabilities reduces countries' roles in cigarette trafficking.

Potential tax increases should be implemented gradually, and with consideration to the overall economic situation of the country. This strategy would mitigate incentives to buy illicit cigarettes.

Reducing the differences—in composition and level—**between excises levied on cigarettes** in different countries would reduce the trafficking of cigarettes to countries where cigarettes are more expensive.

Harmonised legislations would reduce the displacement of cigarette smuggling to countries with more lenient penalties.

Harmonising regulations and implementing stronger controls in FTZs would reduce illicit flows of cigarettes originating and transiting in these areas.

Investments in **advanced scanning technologies** would increase trafficking interception rates, thus discouraging cigarette trafficking.

Policies aimed at **reducing youth unemployment** are also likely to be effective in countering cigarette trafficking.

Ad-hoc public awareness campaigns could reduce the tolerance of cigarette trafficking and the consumption of illicit cigarettes.

Broad anti-money laundering and terrorism financing policies could reduce incentives to engage in cigarette smuggling for OCGs and terrorist groups.

Fighting corruption, among the many other societal improvements, would also reduce cigarette trafficking.

Figures refer to 2017, unless otherwise reported.

