

EXTENDED BALKAN ROUTE

Mapping Cigarette Trafficking
Along the Extended Balkan Route

3 ITTP NEXUS
IN EUROPE
AND BEYOND

2019

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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.

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Suggested citation: Rutgers, Rogier Alexander and Federica Daphne Ierace. 2019. "Extended Balkan Route - Mapping Cigarette Trafficking Along the Extended Balkan Route". In *ITTP NEXUS in Europe and Beyond*, edited by Alberto Aziani and Marco Dugato. Milano: Transcrime – Università Cattolica del Sacro Cuore. © 2019

ISBN: 978-88-99719-16-6

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.

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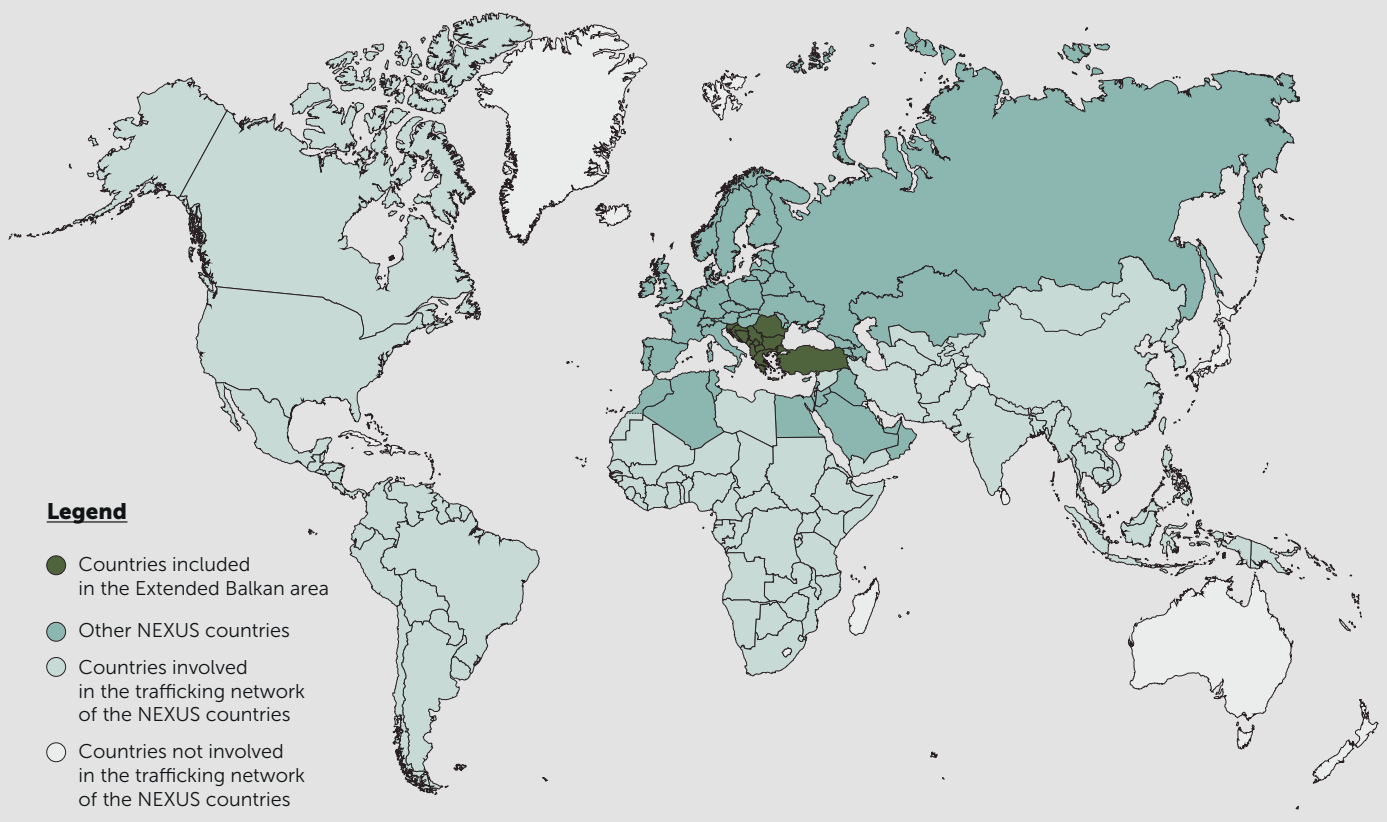
Within the context of the *Extended Balkan Route – Mapping Cigarette Trafficking Along the Extended Balkan Route* booklet, the expression ‘Extended Balkan Route’ refers to illicit flows of cigarettes transiting through the Balkans and Turkey. The Balkan area is taken to include Greece, Bulgaria, Romania, North Macedonia, Kosovo, Serbia, Albania, Montenegro, Bosnia and Herzegovina, Croatia, Slovenia. The role of Turkey is presented alongside these countries because of the strength of connections in cigarette trafficking in that extended area.

All analyses contained in the *ITTP NEXUS in Europe and Beyond* Report are based on the original estimates produced by Transcrime unless otherwise indicated by the reported references.

The following abbreviations have been used in the present booklet:

EPS	Empty Pack Survey	MS	Member State
EU	European Union	NATO	North Atlantic Treaty Organization
FTZ	Free Trade Zone	OCG	Organised Crime Group
GDP	Gross Domestic Product	OLAF	European Anti-Fraud Office
LEA	Law Enforcement Agency	PKK	Partiya Karkerén Kurdîstan [Kurdistan Workers’ Party]

Countries of the Extended Balkan Route



Introduction

This booklet constitutes the third chapter of the *ITTP NEXUS in Europe and Beyond* Report. It maps the transnational traffic of cigarettes along the Extended Balkan Route.

Section 1 describes the main illicit cross-border flows of cigarettes along the Route.

Section 2 outlines the main types of illicit cigarettes trafficked along the Route.

Section 3 presents the main criminal actors involved in cigarette smuggling along the Route.

Section 4 focuses on four key nodes of the Route (i.e., Turkey, Bulgaria, Greece and Montenegro), uncovering several country-level contextual factors and drivers behind cigarette smuggling.

Section 5 describes the evolution of the Route in the last ten years (2008-2017).

Section 6 discusses the potential changes and developments that may impact on the Route in the near future.

Section 7 graphically summarises the enabling factors identified as drivers behind the traffic of cigarettes along the Extended Balkan Route. The factors are divided among six macro dimensions, namely political, geographical, regulation and enforcement, socio-economic, cultural, and criminal factors.

Key facts



Overview

2017 figures

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

30% of these cigarettes—about 10 billion—are **consumed in the EU** (primarily in the United Kingdom, Romania, France and Greece).

The Extended Balkan Route is exploited by cigarette traffickers to:

- introduce cigarettes into the Balkan peninsula;
 - provide illicit cigarettes to the Turkish black market;
 - bring illicit cigarettes to South, Central and Western Europe.
-

Flows along the Extended Balkan Route **cluster in two main areas**:

- the **south-eastern part**—involving large illicit flows between Turkey, Bulgaria, and Greece;
 - the **north-western part**—involving numerous illicit flows that bring cigarettes to black markets in the Balkans, Central and Western Europe.
-

Turkey is a hub for illicit cigarettes coming from both the Balkan peninsula and from the Middle East.

Bulgaria is a major country of origin and transit for illicit cigarettes destined principally to the Middle East, but also to the Balkan peninsula and Western Europe.

Greece is a hub for illicit whites. These cigarettes are smuggled from Greece to Turkey, Libya, Bulgaria, Albania, North Macedonia, Italy.

The **United Arab Emirates is the main origin of cigarettes** trafficked along the Extended Balkan Route.



Illicit cigarettes

2017 figures

Illicit whites have become the most frequently smuggled type of cigarettes along the Extended Balkan Route.

Illicit whites account for about:

- 50% of the illicit consumption in the Balkan peninsula;
 - 40% of the illicit consumption in Turkey.
-

Cut tobacco is trafficked along the Extended Balkan Route.



Actors

OCGs—especially Bulgarian groups—are the **key cigarette traffickers** along the Route.

OCGs are often engaged in multiple forms of illicit trafficking: cigarettes, drugs, firearms, stolen cars, alcohol, and humans.



Evolution of the Route

Trafficking along the Route decreased by about 17% from 2008-2012 to 2017.

Illicit outflows towards the EU diminished significantly (by about -40%).

Once prominent, **the export of illicit cigarettes from Balkan countries**—e.g., Montenegro—to Western Europe **declined notably**.

Illicit flows of cigarettes from the Middle East to Turkey grew considerably and, in turn, cigarettes flowing from Turkey to Europe increased.



Main enabling factors

Post-conflict instability and economic hardship.

Presence of **experienced and transnationally connected OCGs**.

Stagnating corruption, which makes crime de-escalation particularly difficult to achieve.

Scant control on the extra production of illicit whites—e.g., in Bulgaria and in the United Arab Emirates.

Presence of important **seaports** and **extended coastlines**—e.g., in Greece and in Turkey.

Strategic geographical position of Turkey between the Middle East and Europe.

Cigarette **price differentials** along the borders with the EU and between different EU countries.

1. Illicit cross-border flows of cigarettes

Historically, **the Balkan peninsula has been a key origin and transiting area for illicit cigarettes flowing to Southern and Western Europe.** The Balkan peninsula and Turkey occupy a strategic position between Asia and the European markets. Criminals have always exploited this area to move illicit goods (see Box 1).

Nowadays, **the Extended Balkan Route is exploited by cigarette smugglers to:**

- **introduce cigarettes into the Balkan peninsula;**
- **feed the large market of illicit cigarettes in Turkey;**
- **bring illicit cigarettes to markets in South (e.g., Italy), Central (e.g., Austria) and further to Western Europe (e.g., the United Kingdom, France, Germany) (see Figure 1 and Figure 3).**

The Extended Balkan Route is a key route along which illicit flows of cigarettes transit in the Balkan peninsula and Turkey

The custom transit procedures between Turkey, Serbia, North Macedonia and the EU MSs allow for customs taxation formalities to

be carried out for a shipment at its final destination, rather than at the transit point as established by the Convention on Common Transit. Therefore, while cigarettes are in transit, the levying of duties and taxes is temporarily suspended.¹ Criminals exploit weaknesses in transit procedures in multiple ways, e.g. undervaluing goods, illegally offloading goods and diverting them to a different destination, and bribing customs officers.² Additional control measures, such as the use of GPS seals and limiting the number of days allowed for transit, could reduce the weaknesses in the transit countries.

In 2017, approximately 29 billion illicit cigarettes were smuggled into Turkey and the Balkan peninsula. These illicit cigarettes mainly originated in the United Arab Emirates (7.1 billion), Bulgaria (5.7 billion), Iran (3 billion), Iraq (1.8 billion), Romania (1.5 billion), and Moldova (1.4 billion) (see Figure 2). Apart from those produced in the Balkan peninsula, **illicit cigarettes mostly enter the peninsula through Bulgaria and Greece after transiting through Turkey.**

The United Arab Emirates, Bulgaria and Iran are the main origins of illicit cigarettes trafficked along the Route

About 40% of the total amount of cigarettes smuggled along the Extended Balkan Route were destined to be consumed in Turkey itself (12.2 billion). Other main destination markets were the United Kingdom (1.6 billion cigarettes), Iraq (1.5 billion), Romania (1.3 billion), and France (1.1 billion). Tunisia is also an important destination country for cigarettes smuggled along the Extended Balkan Route (2 billion cigarettes), proving the importance of this area for flows going from North to South and not only in the opposite direction.

Box 1. The golden age of cigarette smuggling in the Balkan peninsula—late 20th century

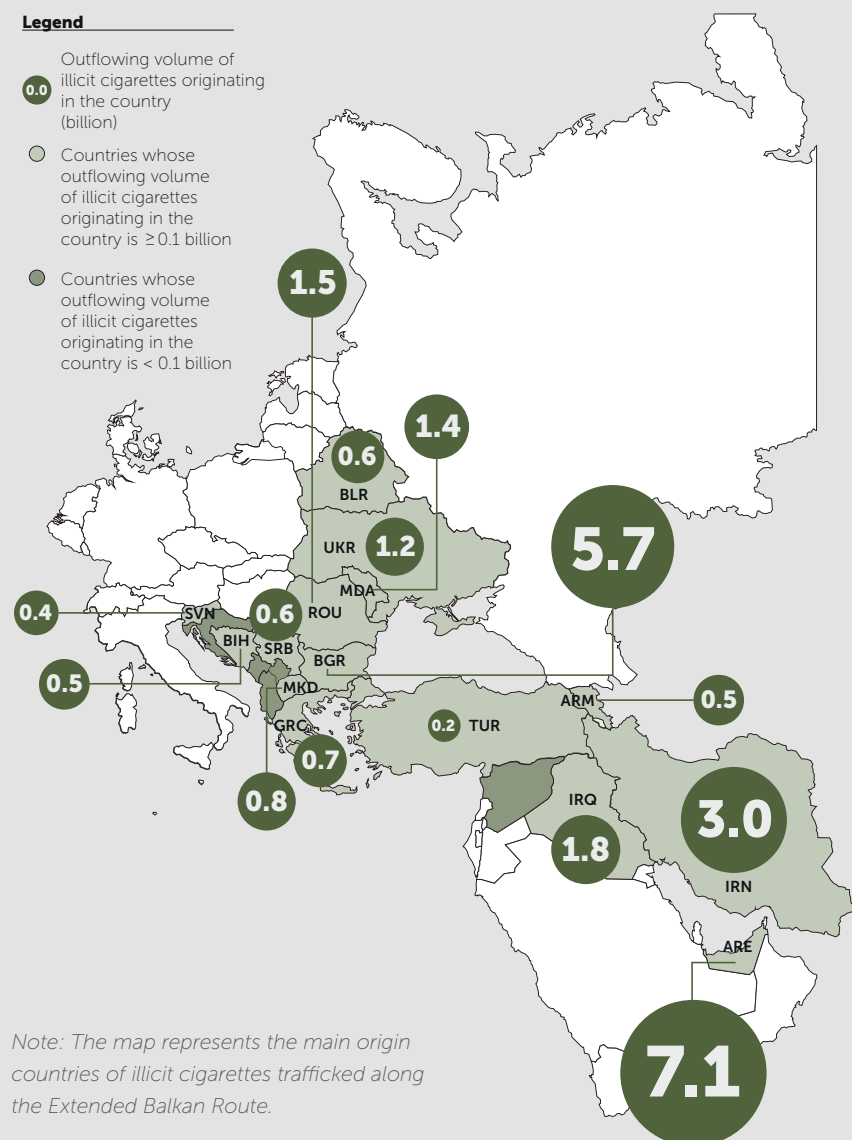
Since the second half of the 20th century, firearms, drugs and cigarettes have been smuggled in the Balkans.³ Cigarette trafficking, in particular, was a primary source of funding during the Yugoslav wars; counterfeit cigarettes of major brands such as Marlboro, Winston, Rothmans represented an important source of funding in the new-born Balkan countries.⁴ Particularly, Montenegro, Kosovo, Serbia, North Macedonia, Croatia and Bosnia and Herzegovina profited from cigarette smuggling revenues.⁵ Once the conflicts were over, cigarette contraband decreased.⁶ Although today cigarette trafficking is still a lucrative activity in the Balkans, in the 2000s smugglers shifted their main attention to drugs trafficking—especially heroin.⁷

Figure 1. The Extended Balkan Route of cigarette trafficking (2017)



Note: The map represents the main illicit flows of cigarettes transiting along the Extended Balkan Route. The flows represented should be considered indicative and based on estimates rather than exact values. Such estimates rely upon data related to official cigarette seizures along the trafficking paths as well as data on the consumption of cigarettes obtained through EPSs. Paths may deviate to other countries along the Extended Balkan Route, and there are numerous secondary flows that are not represented. Arrowheads on paths' extremes indicate that further smaller flows might leave the country.

Figure 2. The main origin countries of illicit cigarettes trafficked along the Extended Balkan Route (2017)



Flows along the Extended Balkan Route cluster into two principal parts:

- The south-eastern part:** massive illicit flows connect Turkey, Bulgaria, and Greece moving illicit cigarettes towards Europe, but also in the opposite direction and towards North Africa and the Middle East.
- The north-western part:** cigarettes are trafficked through the numerous states located in the Balkans to satisfy local black markets and to reach Central and Western European markets. The extensive coastlines of the countries of the Extended Balkan Route allow for direct connections among them and with the EU MSs.

South-eastern cluster

The south-eastern part of the Route involves large flows across Turkey, Bulgaria and Greece.

Turkey is a major final destination market and a hub for cigarettes flowing both South-North and North-South. In 2017, illicit inflows into Turkey were about 19 billion, higher than the illicit flows leaving the country—6.9 billion cigarettes.

On the one hand, **Turkey is a gateway to the Balkan region** due to its geographical position between

Asia and Europe. In 2017, 1.5 billion illicit cigarettes—mainly originating in the United Arab Emirates—flowed from Turkey to Bulgaria and 1 billion to Greece. Massive flows of illicit cigarettes enter Turkey from Iran (4.4 billion), Iraq (3.3 billion), and Syria (1.9 billion). The internal conflicts in Syria and Iraq and poor border controls favour these illicit flows.

On the other hand, **Turkey is the major recipient of illicit cigarettes leaving the Balkan peninsula.** In 2017, 5.3 billion illicit cigarettes flowed from Bulgaria to Turkey and 2.2 billion from Greece to Turkey. In both cases, the vast majority of the cigarettes originated in Bulgaria and in the United Arab Emirates.

Major producers of illicit whites are located in Bulgaria

Bulgaria is a key origin country for illicit cigarettes flowing through the Balkan region mainly due to the presence of illicit whites' producers. In 2017, Bulgarian cigarettes were predominantly consumed in Turkey (3.9 billion), Iraq (0.7 billion), and Montenegro (0.3 billion).

Bulgaria is also a key transit country for illicit cigarettes. In 2017, 6 billion illicit cigarettes transited through Bulgaria. Around 3.5 billion cigarettes out of the total 6 billion were manufactured in the United Arab Emirates. The main illicit inflows came from Turkey (1.5 billion), Romania (1.2 billion), and directly from the United Arab Emirates (1.1 billion). 1.7 billion of the illicit cigarettes transiting through Bulgaria had other EU MSs as their final destination.

Greece is a crucial transit country for illicit cigarettes due to its extensive coastlines and high number of sea connections. In 2017, 5.8 billion illicit cigarettes entered Greece: 2.5 billion from Bulgaria, 1.3 billion from North Macedonia, and 1 billion from Turkey. The remaining 1 billion entered through 7 other countries.

Once in Greece, illicit cigarettes mainly flow to Turkey (about 2.2 billion in 2017) and to Libya (1.5 billion). A smaller amount moves North and West (0.6 billion), and an even smaller volume of cigarettes leaves Greece by sea for other EU MSs like Italy and France (about 0.4 billion). The size of the flows along these paths, and in general in the northern part of the Extended Balkan Route, is smaller than the flows among Turkey, Bulgaria, and Greece.

North-western cluster

Illicit flows of cigarettes in the north-western part of the Route are numerous but smaller in size than those in the south-eastern part.

Apart from Romania, which is the destination country for 1.3 billion illicit cigarettes, **countries in the north-western part of the Route mainly serve as transit points for cigarettes bound for EU MSs**; in particular, the United Kingdom (1.6 billion), France (1.1 billion), Austria (0.7 billion), and Germany (0.6 billion).

Romania is a hub in the north-western part of the Route. In 2017, illicit cigarette inflows to Romania totalled around 5.6 billion. These illicit

cigarettes entered Romania from 10 different countries, mainly Bulgaria (1.8 billion) and North Macedonia (1.7 billion). In the same year, the main outflows from Romania were also large and headed for Hungary (1.8 billion), Bulgaria (1.2 billion), Ukraine (0.8 billion), and Serbia (0.7 billion).

The north-western part of the Route involves illicit cigarettes trafficked through the Balkan region and into Central and Western European markets

Serbia is an important transit point for illicit cigarettes because it is located between EU and non-EU countries.⁸ Illicit cigarettes that leave Serbia are mainly trafficked to EU MSs. In 2017, 1.1 billion illicit cigarettes flowed from Serbia to Croatia; 0.5 billion to Bulgaria; 0.4 billion to Romania, and 0.4 billion to Austria. These countries are both the final destinations of and transit points for cigarettes intended for Western, Central, and Southern Europe—mainly Slovenia, the United Kingdom, Germany and Italy. Cigarettes may carry their original tax stamps—from one of the Balkan countries—or lack any stamp.⁹

Illicit flows involving the other north-eastern countries are smaller.

Once a major hub of international cigarette trafficking, **Montenegro is now a junction for the regional traffics.** Illicit cigarettes flow into Montenegro from Albania both directly—0.3 billion in 2017, entering via land and sea routes arriving principally at the port of Bar—or transiting through Kosovo—40 million. Once in Montenegro, foreign cigarettes, together with legitimate and counterfeit Montenegrin cigarettes, are often trafficked again to Albania (0.5 billion in 2017), Croatia (0.2 billion in 2017) and Bosnia and Herzegovina (0.2 billion in 2017). The contraband in these last two countries occurs also in the opposite directions. Occasionally, legally manufactured Montenegrin cigarettes are illegally shipped along maritime routes from the port of Bar to Greece and Italy.¹⁰

Bosnia and Herzegovina has a secondary role in the regional cigarette trafficking. In 2017, approximately 0.6 billion illicit cigarettes flowed into the country and 0.9 billion cigarettes flowed out of it. **In 2017**, albeit at low volumes, **65% of the illicit cigarettes that transited through Bosnia and Herzegovina had an EU MS as their final destination**—i.e. Croatia (0.4 billion) and Italy (0.1 billion). The remaining 0.4 billion flowed to Montenegro (0.2 billion) and Serbia (0.2 billion).

Actors engaged in illicit cigarette trafficking from Bosnia and Herzegovina use **Croatia as a transit country for cigarettes** (0.4 billion in 2017) **destined for Western European markets**. In 2017, from Croatia illicit cigarettes mainly flowed to Slovenia (1.5 billion), Serbia (0.3 billion), and Montenegro (0.2 billion). However, **Croatian cigarettes are mainly legally exported to Bosnia and Herzegovina and then smuggled back**. The possible driver of this process is a Bosnian law that keeps the taxes low on cigarettes imported from Croatia, which allows criminals to benefit from the reduced prices.¹¹

In 2017, illicit cigarettes mainly flowed to North Macedonia from Bulgaria (0.8 billion) and Serbia (0.7 billion). Illicit cigarettes—both originating in (26.6% of the outflows) and transiting through North Macedonia (73.4% of the outflows)—are mostly smuggled from this country to Greece (1.4 billion in 2017). The main **final destinations of cigarettes transiting through North Macedonia were Turkey, France and Greece**.

About 0.3 billion illicit cigarettes were consumed in Slovenia in 2017. Nonetheless, more than 3 billion illicit cigarettes flowed into the country in

the same year, testifying to **Slovenia's role as a transit for illicit cigarette trafficking**. Illicit cigarettes enter Slovenia from Croatia (about 1.5 billion), Hungary (0.8 billion), Italy (0.4 billion), Austria (0.4 billion), and—in smaller quantities—directly from the United Arab Emirates and Kosovo. Austria, Italy, Croatia, Hungary, together with Germany and Portugal are also the principal countries to which the illicit cigarettes leaving Slovenia flow.

Figure 3. All links of cigarette trafficking involving the Extended Balkan Route (2017)



Note: The map represents all links between pairs of countries forming the paths involving the Extended Balkan Route. Larger lines between pairs of countries indicate larger flows of illicit cigarettes between those countries.

2. Trafficked cigarettes

In 2017, illicit whites accounted for about a third of the total illicit cigarette market in the EU; the Extended Balkan Route is one of the routes most exploited to traffic these products.¹²

Illicit whites have become the most frequently smuggled type of cigarettes along the Extended Balkan Route

Cigarette smuggling along the Extended Balkan Route mainly concerns illicit whites. In 2017, illicit cigarettes accounted for about 24% of the total cigarette consumption in the Balkan peninsula and 39% in Turkey. Almost 50% of the illicit cigarettes consumed in the Balkan peninsula and almost 40% of those consumed in Turkey were illicit whites (about 5.2 billion and 8.5 respectively).

Contraband genuine cigarettes, counterfeits, and cigarettes of unspecified origin are also trafficked along the Extended Balkan Route. In 2017, the consumption of contraband cigarettes amounted to about 6.6 billion—slightly less than 20% of the entire illicit market—i.e., 18.7% in the Balkan peninsula, 21.2% in Turkey. In the same year, the consumption of counterfeit cigarettes in the Balkan countries was estimated at 0.9 billion, corresponding to 8.7% of the illicit market, on average. It was estimated at 30 million in Turkey (0.1% of the illicit market).

Besides cigarette trafficking, cut tobacco is smuggled in the Balkans

In addition to industrial cigarettes, the Balkans are characterised by a significant consumption of bulk tobacco, specifically **cut tobacco**, which is **often produced and sold in illicit manner**. Cut tobacco meets the demand for cheap products that arose as consequence of the growing economic hardship due to the global crisis.¹³ Montenegro, Serbia, Bosnia and Herzegovina and Croatia are among the countries with the highest consumption levels of cut tobacco in Europe.

The trafficking of this type of tobacco is not as risky as the trafficking of cigarettes because its illegality is harder to detect. In North Macedonia and Albania, the local production of cut tobacco can satisfy almost the entire domestic demand. Romania relies on cut tobacco mainly coming from Hungary and Turkey, and Slovenia on cut tobacco from Bosnia and Herzegovina.¹⁴

3. Criminal actors

Two main types of criminal actors operate in cigarette smuggling along the Extended Balkan Route:

- 1) OCGs operating transnationally on a large scale;
- 2) medium and small-scale criminals operating nationally and/or organising small smuggling schemes between neighbouring countries.¹⁵

Transnational OCGs

During the 1990s, ethnic and political frictions in the Balkan peninsula caused bloody conflicts which led to political instability, especially in the Western Balkans.¹⁶ In turn, the **political instability facilitated the emergence of OCGs and fostered the illicit flows.**¹⁷

OCGs are the main actors involved in illicit trades along the Extended Balkan Route

During the conflicts, the absence of control by the authorities enabled criminals to carry out their illegal activities unpunished.¹⁸

Criminal revenues became an important source of financing for the parties involved in the conflicts. The same **criminal actors acquired important connections within the political elites** and embedded themselves in multiple business sectors.¹⁹ Together with limited transparency, this fuelled corruption—and its perception (see Box 2)—while weakening the effectiveness of LEAs' actions.²⁰

More recently, **the economic crisis of the late 2000s reinforced OCGs.**²¹ As the legal economy weakened, criminal networks acquired more control and rooted their presence in the Balkan countries.²² Still today, **mid-Western Balkan countries are faced with weaknesses in their law enforcement systems.**²³ A lack of cooperation among institutional bodies hinders the LEAs in this region. In turn, this prevents an effective fight against corruption.²⁴

Today, OCGs are widely present in Albania, Bulgaria, Romania, Kosovo, North Macedonia, Greece and Turkey (see Box 3). They tend to be heterogeneous in terms of their members' nationality.²⁵ **Having built transnational networks, OCGs take advantage of their multiethnicity to manage contraband activities** at international level (see Box 4).²⁶ For instance, Albanian criminals used to collaborate with the Italian mafia and Turkish criminals. Thereafter, they started to cooperate also with OCGs operating in neighbouring countries like Kosovo, Greece and North Macedonia.²⁷

OCGs exploit their criminal expertise in illicit trades to smuggle cigarettes

Transnational OCGs are often engaged in multiple smuggling activities (e.g., firearms, human beings, drugs, alcohol, stolen cars) and exploit their criminal expertise to conduct cigarette smuggling.²⁸ When they deal with cigarette trafficking, **they move large quantities of illicit cigarettes.**

OCGs obtain illicit cigarettes by resorting to three main channels:

- importing large quantities of illicit whites from other regions;
- acquiring locally manufactured cigarettes which have been legally exported to non-EU countries and then illicitly re-importing them;
- acquiring local production of counterfeit cigarettes or illicit whites.²⁹

Large-scale actors often use sea transshipments and internal waterways to move illicit cigarettes across countries.³⁰ The high number of seaports in many of the countries along the Extended Balkan Route—i.e., Bulgaria, Greece, Turkey—facilitates smuggling by sea (see Box 5). Still, in some cases, smugglers prefer to drop anchor in international waters and use smaller boats to cover the last part of the journey to the shore.³¹

Box 2. The perception of corruption in the Balkan countries and in Turkey

Table 1 highlights the Corruption Perception Index for the countries of the Extended Balkan Route. Levels of corruption are measured using a scale from 0 to 100. The more a country approaches

the value 0, the more its public sector is perceived as a corrupt system.³² With reference to the year 2017, Albania (38), Bosnia and Herzegovina (38), Kosovo (39) and North Macedonia (35) are

the countries in the Balkan region perceived as the most corrupt. Slovenia performs particularly well with respect to the other countries of the area, having the 34th lowest level of perceived corruption in the world.

Table 1. Corruption Perception Index (2012-2017)

2017 Rank	Country	2017 Score	2016 Score	2015 Score	2014 Score	2013 Score	2012 Score
2 to 43^a	EU ^b	65	65	66	65	64	64
34	Slovenia	61	61	60	58	57	61
57	Croatia	49	49	51	48	48	46
59	Greece	48	44	46	43	40	36
59	Romania	48	48	46	43	43	44
64	Montenegro	46	45	44	42	44	41
71	Bulgaria	43	41	41	43	41	41
77	Serbia	41	42	40	41	42	39
81	Turkey	40	41	42	45	50	49
85	Kosovo	39	36	33	33	33	34
91	Albania	38	39	36	33	31	33
91	Bosnia and Herzegovina	38	39	38	39	42	42
107	North Macedonia	35	37	42	45	44	43

Note: ^a In 2017, Denmark had the 2nd highest score in the Corruption Perception Index in the world—first among EU MSs. In the same year, Bulgaria ranked 43rd in the world—last among EU MSs. ^b The reported score corresponds to the simple average of the score of the EU MSs in that year.

Source: Transparency International³³

Box 3. A closer look at some national specificities in terms of OCGs

Bulgarian OCGs

Bulgarian OCGs are well known for having a diversified portfolio of traffics and illegal services.³⁴ Bulgaria has frequently emerged at the centre of international investigations concerning the trafficking of heroin, cocaine, stolen vehicles, and human beings.³⁵

Over time, Bulgarian OCGs have adapted their operations to the market demand and started to smuggle cigarettes as well—on both a national and transnational scale—while applying the same methods that they use to smuggle other goods.³⁶ In recent years, cigarette smuggling in Bulgaria has enabled OCGs to generate significant revenues. The EU tax harmonization that Bulgaria had to implement upon entering the EU negatively impacted on its cigarette market.³⁷ The excise increase made illicit cigarettes more attractive for consumers. In turn, OCGs exploited the increase to augment their profits.³⁸

Cigarette trafficking by Greek OCGs

Greek OCGs have a hierarchical structure and are made up of both Greek and criminals of foreign origin. In committing crimes, they exploit international connections with OCGs abroad.³⁹

Differently from OCGs in other countries of the Extended Balkan Route, Greek OCGs engaging in cigarette smuggling tend to focus exclusively on it. However, there are cases in which Greek OCGs also engage in other smuggling activities, such as human smuggling, drug trafficking, firearm contraband, fuel smuggling, and forgery of documents.⁴⁰

Until 2012, low penal implications favoured the growing criminal engagement in cigarette smuggling, contributing to the increase of illicit trafficking. In 2012, smuggling tobacco products was included among “organised crime” offences.⁴¹

Turkey is distinguished by the co-presence of different types of traffickers

Cigarette smuggling into Turkey is a source of revenue for OCGs and terrorist organisations.⁴² The Islamic State has profited from cigarette smuggling into Turkey to raise funds driving the growth of illicit consumption in Turkey.⁴³

Criminals and terrorists are not the only actors dedicated to the trafficking of cigarettes. The Turkish Department of Anti-Smuggling and Organized Crime (KOM) has pointed out the involvement of *Bulgartabac* in the smuggling of cigarettes into Turkey. The problem had been already exposed in 2010. When in 2011 the company was privatised, the issue became more serious.⁴⁴ Between 2010 and 2015, 77.5% of illicit whites in Turkey carried the Prestige brand name—a *Bulgartabac* trademark.⁴⁵

Box 4. The importance of transnational criminal connections in cigarette smuggling

Organised cigarette trafficking in Romania

Between January and February 2017, Romanian Police confiscated 298,000 packs of illegal cigarettes bound for the Romanian black market. The main brands of the cigarettes were Marble, Ashima, Plugarul, L&M, Jin Ling and Marlboro. 90 people belonging to 19 different OCGs were

arrested for cigarette smuggling. The smugglers had different nationalities, and they had created strong trans-border connections. Most of them were from the Balkan region and Central-Eastern Europe, particularly Romania, Serbia, Bosnia and Herzegovina, Croatia, Bulgaria, Turkey, Germany, Hungary, Latvia, Ukraine, Moldova. Illicit cigarettes entered Romania mainly through its northern,

eastern and south-western borders.⁴⁶

Balkan actors active at the international level

In 2017, thanks to a collaborative effort between the Spanish authorities, OLAF and LEAs from Balkan countries—i.e., Romania and Bulgaria—31 million cigarettes were seized within the framework

of *Operation Mangalica*. Together with contraband genuine cigarettes, the intercepted shipment contained also illicit whites and counterfeit cigarettes branded Marlboro.

The OCG involved in this case had already been running illegal activities since 2015. The OCG presented transnational links and was managed by criminals from Bulgaria and Romania, some of whom used to live in Spain.

Illegal cigarettes were trafficked to Spain along two routes: the first route ran from Bulgaria, included a transit through Romania, and finally reached Spain, while the second route departed from Senegal, transited through Portugal and arrived in Spain.⁴⁷

Box 5. Cigarette trafficking between the Black Sea and the Mediterranean Sea

The Bosphorus Strait and the Dardanelles are crucial passages linking the Black Sea and the Mediterranean. Criminals profit from this extended waterway to transfer illegal cigarettes among Western Europe, North Africa, the Middle East, Eastern Europe and Far-East Asia.

Some large seizure cases prove the strategic importance of these Straits:

- In 2017 Romanian authorities seized 14 million cigarettes in Constanta Port. The cigarettes had arrived from Thailand and were meant to be sold on the black market.⁴⁸

- Bulgarian customs seized 14 million cigarettes at the Varna Port. Bound for a Bulgarian company, the cigarettes originated in the United Arab Emirates and, before reaching Bulgaria, transited through Turkey.⁴⁹

Medium-scale traffickers and small-scale smugglers

Medium-scale and small-scale criminals are often engaged in bootlegging, i.e., the legal purchase of cigarettes in a low-tax country and their illegal sale in a high-tax country to generate extra income.

Medium-scale criminals mainly act as dealers. They buy cigarettes from large-scale traffickers and re-sell them on the market, competing with other medium-scale criminals. Alternatively, they may rely on autonomous networks.⁵⁰

Small-scale criminals act both as distribution channels for the medium-scale traffickers and as independent smugglers. They usually conceal illicit cigarettes in cars, vans and buses to limit the risk of being detected during border controls.⁵¹ Several customs administrations within the region—i.e., Greece, Croatia, Montenegro—have reported an increase in the use of this method.

Many of these small-scale actors are induced to engage in illicit cigarette cross-border trade by widespread poverty and unemployment.⁵² The high degree of acceptance of cigarette trafficking also provides incentives to become involved in this illicit trade.⁵³ In Turkey, in particular, the illicit trade attracts marginalised people affected by unemployment. Also poor families, especially from the south-eastern villages, may turn to illicit activities in the absence of legitimate job opportunities.⁵⁴

4. Key nodes of the Route

Turkey

Based on 2017 data



ILLICIT CONSUMPTION

Tot. illicit cigarettes consumed

21.7 billion

Tot. illicit cigarettes consumed of unknown origin

9.5 billion

Main origin of illicit cigarettes

Bulgaria



ILLICIT INFLOWS

N. of inflows

14

Tot. inflowing volume

19.0 billion

Main inflow

5.0 billion sticks from Bulgaria (26% of tot. inflows)

N. of countries of origin of the inflowing cigarettes

89



ILLICIT OUTFLOWS

N. of outflows

20

Tot. outflowing volume

6.9 billion

Main outflow

1.5 billion sticks to Bulgaria (22% of tot. outflows)

Tot. illicit cigarettes originating in Turkey

0.2 billion

Main final destination of the outflowing cigarettes

Tunisia

MAIN ILLICIT INFLOWS AND OUTFLOWS BY COUNTRY OF ORIGIN

The visualization depicts the 5 main inflows and the 5 main outflows disaggregated by origin of the cigarettes flowing.

Legend

○ Transit and destination country

-○- Indirect connection

Origin of the cigarette flows

United Arab Emirates
Bulgaria
Iran
Iraq

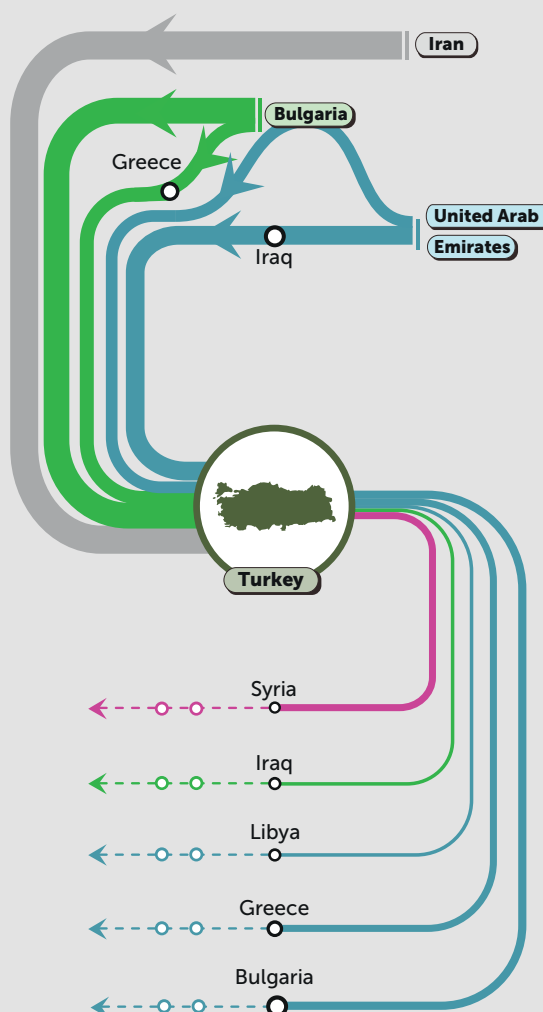
Volume (N. of sticks)

Graphic reference scale

4 billion

2 billion

≤ 0.2 billion



Turkey's geographical position is crucial for the transit of illicit cigarettes

The illicit consumption in Turkey is fairly high compared to the other countries along the Route. It amounted to 21.7 billion in 2017. The consumption of illicit cigarettes **mainly concentrates in the Eastern region**, bordering with Syria and Iraq. In this area, the extended border and the high unemployment rates favour the illicit supply of and demand for illicit cigarettes.⁵⁵

In addition, **Turkey provides a territorial continuity between the Asian and the European territories.** Its geographic position eases the passage of illicit flows in both directions.

Besides Turkey's geographical position, many socio-politic-economic factors determine its key role as a transit country:

- the consolidated Balkan drug route, which is exploited by smugglers because it is the historical route for illegal goods headed to Europe;
- the weak controls in place at the borders with neighbouring Eastern countries, e.g. Syria and Iraq, affected by internal conflicts;

- the presence of FTZs, for example the port of Mersin (see below);
- the high level of corruption among public officials, which facilitates the smugglers' activities;
- the direct and indirect involvement of terrorist groups and OCGs, which act on the Black Sea and on the Mediterranean Sea.⁵⁶

In 2017, 19 billion illicit cigarettes entered Turkey. They originated from 89 countries (see Box 6). The illicit cigarettes directly flowed to Turkey via 14 countries. **The main flow entering Turkey came from Bulgaria** (5.3 billion), and another large flow from Greece (2.2 billion).

Other major flows of illegal cigarettes reach Turkey through Syria, Iraq and Iran.⁵⁷ In 2017, 4.4 billion illicit cigarettes arrived in Turkey from Iran, 3.3 billion from Iraq, and 1.9 billion from Syria. In Syria, the illicit cigarettes are offloaded at the port of Latakia and then moved to Turkey's southern provinces, whereas those heading for the Persian Gulf reach Iraq and are then smuggled to Turkey.⁵⁸

Illicit cigarettes entering Turkey originate also in neighbouring eastern and north-eastern countries, i.e. **Georgia, Armenia and Russia.** These cigarettes are often smuggled by individual couriers crossing the borders in the eastern and south-eastern areas—e.g., Artvin. Once in Turkey, **illicit cigarettes are usually stored in border villages** before continuing their journey.⁵⁹

Box 6. Turkish LEAs intercept illicitly cigarettes originating from a multitude of countries

In 2015, Turkish National Police reported that 45% of the cigarettes intercepted in Turkey came from Bulgaria (Prestige, Victory, M&M), 20% from China (J&J, Ashima, Marble, Empire, Dubao) and 25% from Indonesia (United), United Arab Emirates (Capital), South Korea (Esse, Vigor, Pine), Armenia (Akhdamar), Jordan (Mikado), Poland (Brilliant), Georgia (Winston, Pirvelli), Russia (Jin Ling), France and Germany (Gauloises). The remaining 10% consisted of cigarettes originating in Turkey and destined to be sold abroad (Vigor, Toros, Swisse, President, Kent, Viceroy, Black Galleon).⁶⁰

These two cases illustrate how Chinese illicit cigarettes are smuggled into Turkey:

1. Chinese cigarettes arrived in the United Arab Emirates, transited through Iran and entered Turkey. The illicit cigarettes were smuggled either hidden in vehicle compartments or concealed among legal goods.⁶¹
2. The illicit cigarettes were transported by sea to Lebanon. From Lebanon the illicit cigarettes were moved to north-western Syria where they crossed the border with Turkey to reach Hatay, Mersin, Adana and finally Istanbul.⁶²

FTZs play a major role in the trafficking of illicit cigarettes to and through Turkey—e.g., the FTZ in the Turkish port of Mersin and the United Arab Emirates’ Jebel Ali FTZ.

The port of Mersin often receives illicit cigarettes from Israel. In 2015, for example, custom authorities seized 10.2 million counterfeit cigarettes in the port of Haifa (Israel) that were supposed to be shipped to Mersin. Earlier, Turkish authorities had seized a similar cigarette shipment that smugglers had trafficked from the port of Haifa.⁶³

The Jebel Ali FTZ port receives illicit cigarettes originating in countries such as Bulgaria, the United Arab Emirates or China. From there, cigarettes are smuggled to the Bandar Abbas port in Iran, after which they are transported over land to the Syrian, Iraqi and Iranian borders with Turkey. Here, the illicit cigarettes are stored and subsequently smuggled into Turkey.⁶⁴ Cigarettes that enter through Turkey’s eastern and south-eastern regions often cross territories where the PKK is active (see Box 7).

During 2017, the majority of the illicit cigarettes that transited through Turkey ended up in Tunisia (1.4 billion), Iraq (1.0 billion), Azerbaijan (0.6 billion). In the same year, about 1.4 billion illicit cigarettes transited through Turkey before reaching their final destination in one of the EU MSs, such as Greece, Spain, the United Kingdom, France, Italy and the Netherlands.

In 2017, **Turkey’s largest outflows of cigarettes were headed for neighbouring countries**: Bulgaria (1.5 billion) and Greece (1.0 billion) in the West, Georgia (0.7 billion) to the North-East, Iraq (1.1 billion) and Syria (0.7 billion) to the South. Other large flows targeted countries in North Africa, i.e. Tunisia (1.4 billion) and Libya (0.6 billion). Prestige and Victory cigarettes, for example, depart from Bulgaria, cross the Bosphorus Strait and head for either Syria or the Persian Gulf via the Red Sea.⁶⁵

Box 7. The PKK custom points

A significant share of the illicit cigarettes entering Turkey access the country through the eastern and south-eastern regions; these are territories where the PKK is active. In these areas, PKK operate multiple transnational—illegal—businesses which involve drugs, human beings, document forgery, and racketeering.⁶⁶ In the last case, PKK exploits its control over border areas and levies taxes from traffickers—including cigarette traffickers—who cross the Party’s “customs points”.⁶⁷ Cigarette smuggling is thus a source of financing for the PKK.⁶⁸



ILLICIT CONSUMPTION

Tot. illicit cigarettes consumed

0.8 billion

Tot. illicit cigarettes consumed of unknown origin

0.6 billion

Main origin of illicit cigarettes

United Arab Emirates



ILLICIT INFLOWS

N. of inflows

12

Tot. inflowing volume

6.2 billion

Main inflow

1.5 billion sticks from Turkey (24% of tot. inflows)

N. of countries of origin of the inflowing cigarettes

90



ILLICIT OUTFLOWS

N. of outflows

6

Tot. outflowing volume

11.8 billion

Main outflow

5.3 billion sticks to Turkey (45% of tot. outflows)

Tot. illicit cigarettes originating in Bulgaria

5.7 billion

Main final destination of the outflowing cigarettes

Turkey

MAIN ILLICIT INFLOWS AND OUTFLOWS BY COUNTRY OF ORIGIN

The visualization depicts the 5 main inflows and the 5 main outflows disaggregated by origin of the cigarettes flowing.

Legend

○ Transit and destination country -○- Indirect connection

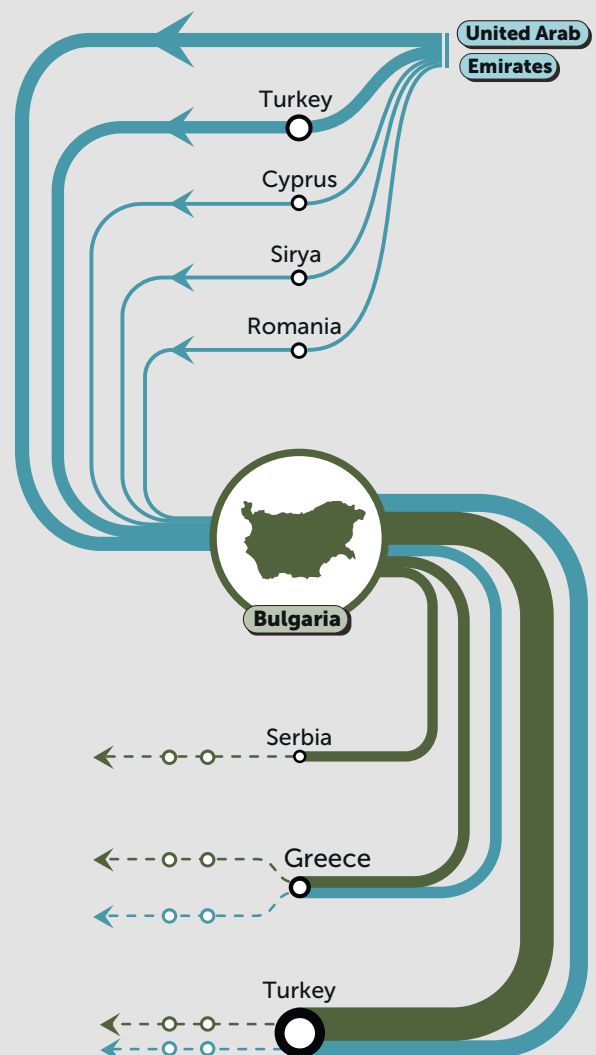
Origin of the cigarette flows

United Arab Emirates
Bulgaria

Volume (N. of sticks)

Graphic reference scale

4 billion
2 billion
≤ 0.2 billion



Outflows of illicit cigarettes from Bulgaria are among the largest registered in the European and in the Mediterranean area

Bulgaria is a major global player in the transnational trafficking of cigarettes. The importance of Bulgaria relates to the country's role as a transit point (about 5.9 billion) and origin (about 5.7 billion) of illicit cigarettes. To a lesser extent, Bulgaria is also a final destination (about 0.2 billion) for illicit cigarettes coming from abroad.

The role of Bulgaria in cigarette smuggling had been influenced by:

- the increase of excise duty after the country's accession to the EU in 2007;
- the involvement of local manufacturers in the production of illicit whites (see Box 8);
- the presence of structured OCGs;
- the global economic crisis that furthered the establishment of illicit retail networks through the involvement of disadvantaged people in the black market for cigarettes.⁶⁹

Box 8. Bulgartabac

After Bulgaria's accession to the EU, Bulgartabac had to give up its monopoly of the Bulgarian tobacco market.⁷⁰ *Bulgartabac* was privatised in 2011.⁷¹ In 2014, it was acquired by a Dubai-registered offshore company named TGI Middle East FZE, of which the ownership remains undisclosed.⁷²

In 2017, the Turkish Office Anti-Smuggling & Organized Crime Department (KOM) published a report that directly pointed to *Bulgartabac* as the source of cigarettes smuggled into Turkey. This report was also sent to Interpol. The issue of Bulgarian cigarettes surfaced in 2010, and has grown ever since—Turkish LEAs reported that *Bulgartabac*'s Victory, MM and Prestige branded cigarettes made up more than half of the black market in Turkey in 2015.⁷³

According to the Turkish LEAs, *Bulgartabac* cigarettes are moved from Bulgaria, through the Suez Canal and Red Sea, via the Gulf of Aden to the Jebel Ali FTZ. Here the cigarettes are transited—often concealed and relabelled—and shipped to Iraq, Syria or Iran. The final step involves the smuggling

of the cigarettes back to Turkey through PKK controlled territories.⁷⁴

In March 2016, *Bulgartabac* had already officially announced that it would halt all sales to the Middle East, citing the "artificially created reputation problems" following its implication in cigarette trafficking to Turkey.⁷⁵ This announcement came at the same time that official documents regarding *Bulgartabac*'s business surfaced. They showed *Bulgartabac*'s continued and long-standing official business relationship (since 2004) with Salam Faraj Qader, one of the owners of the Andaluse Al Sharg General Trading company registered in Dubai. He had been branded as smuggler by the Turkish authorities, and had his import licence revoked in Iraqi Kurdistan in 2011 for forging export documents.⁷⁶ Despite these facts, *Bulgartabac* exported to his Dubai-based company more than 12,000 tons of cigarettes in 2014. This was more than all *Bulgartabac* exports to Syria and Iran that year.⁷⁷

To date, no investigations have been launched nor have charges been filed against *Bulgartabac*.⁷⁸

Bulgaria is an important origin country for illicit cigarettes, even though overall consumption of cigarettes originating in Bulgaria decreased from 9.7 billion in 2008-2012 to 5.7 billion in 2017. In this last year, 3.9 billion Bulgarian-produced

illicit cigarettes flowed into Turkey. Other destinations included Iraq (0.7 billion), Montenegro (0.3 billion), France (0.3 billion), and the United Kingdom (0.1 billion).

Bulgaria is also a key transit country for cigarette smuggling.

Illicit cigarettes, with 90 different origins, flow into Bulgaria from 12 different countries. In 2017, the main origin countries were Turkey, Romania, and the United Arab Emirates. Once they had transited through Bulgaria, illicit cigarettes reached their final destinations, mainly Turkey (1.6 billion), Tunisia (1 billion) and Greece (0.5 billion). About 1.7 billion illicit cigarettes transiting in Bulgaria are bound for EU countries.

In 2017, the **overall outflows from Bulgaria**—included both cigarettes produced in and transiting through Bulgaria— **were mainly bound for Turkey, Greece, Romania and Serbia**; all these outflows were massive, having a size of about 5.3 billion, 2.5 billion, 1.8 billion and 1.3 billion illicit cigarettes, respectively. In particular, the flows to Turkey and to Greece are the third and the tenth largest among all flows estimated for the countries included in the analysis.

From 2014 to 2017, Bulgaria's illicit consumption decreased about 70%—

from 2.1 billion illicit cigarettes in 2014 and to approximately 0.8 billion in 2017. This reduction may be explained by the stricter controls by LEAs at manufacturing sites that undermine the domestic supply of illicit whites.⁷⁹

Today, illegal cigarettes consumed in Bulgaria have 15 different origins. The United Arab Emirates is the main origin country of illicit cigarettes for the Bulgarian market (0.1 billion in 2017). North Macedonia is the second main origin. **Since 2010, illicit whites have accounted for the majority of the illicit consumption in Bulgaria**—i.e., 60% on average per year.

Since 2015, in Bulgaria the illicit consumption of cigarettes has been drastically reduced thanks to specific counter-measures



ILLICIT CONSUMPTION

Tot. illicit cigarettes consumed

4.4 billion

Tot. illicit cigarettes consumed of unknown origin

3.2 billion

Main origin of illicit cigarettes

United Arab Emirates



ILLICIT INFLOWS

N. of inflows

10

Tot. inflowing volume

5.8 billion

Main inflow

2.5 billion sticks from Bulgaria (43% of tot. inflows)

N. of countries of origin of the inflowing cigarettes

81



ILLICIT OUTFLOWS

N. of outflows

11

Tot. outflowing volume

5.4 billion

Main outflow

2.2 billion sticks to Turkey (41% of tot. outflows)

Tot. illicit cigarettes originating in Greece

0.7 billion

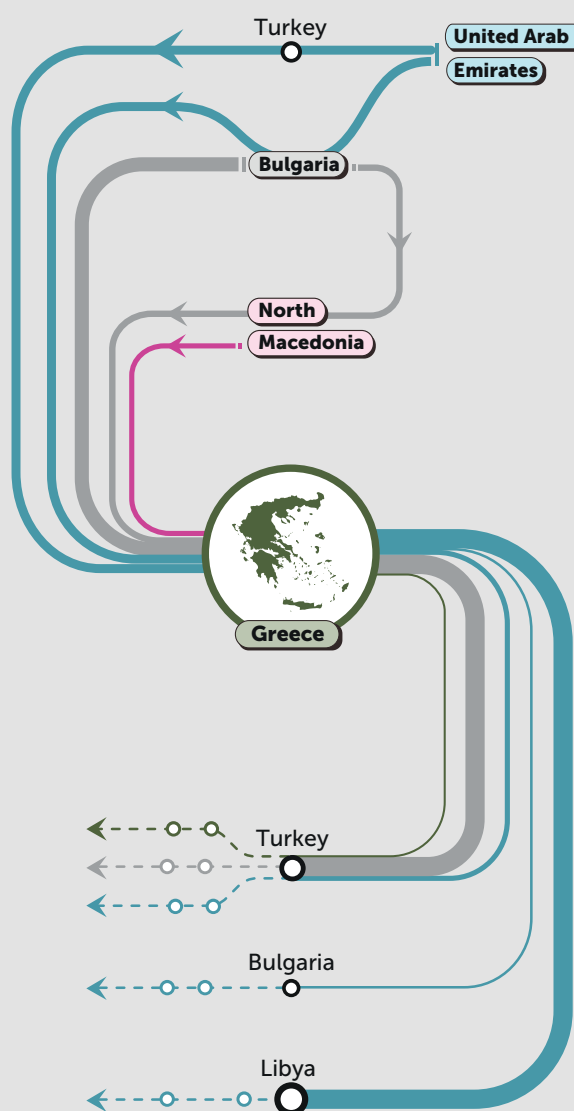
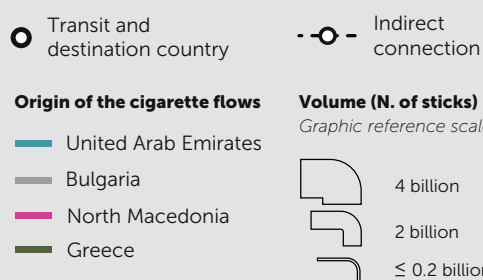
Main final destination of the outflowing cigarettes

Turkey

MAIN ILLICIT INFLOWS AND OUTFLOWS BY COUNTRY OF ORIGIN

The visualization depicts the 5 main inflows and the 5 main outflows disaggregated by origin of the cigarettes flowing.

Legend



Greece is a key transit country for illicit cigarettes

Greece plays a key transit role in cigarette illicit trade due to its strategic position as a peninsula in the Mediterranean Sea situated in-between Turkey, the Balkans and Italy. Additionally, Greece has extended coastal borders. Illicit cigarettes are often transported to Greece by sea.

In 2017, the total illicit cigarette inflows, which entered Greece via 10 different countries, amounted to 5.8 billion. These illicit cigarettes originated in 81 countries. 2.5 billion illicit cigarettes flowed to Greece via Bulgaria, another 1.3 billion via North Macedonia, 1 billion via Turkey and 0.4 billion via Albania. In these countries, cigarette prices are lower than in Greece. On average, the money saved per pack is approximately 1.6€ for the cheapest cigarettes, 2.2€ for the most sold, and about 2.6€ for a premium pack of cigarettes.

The economic crisis has led Greece to become also an important destination country

The economic crisis contributed to Greece becoming a destination country (see Box 9). Since 2008, a considerable amount of people have turned to the illicit channels, acquiring the more affordable illicit cigarettes.⁸⁰ In 2017, Greece was still among the EU countries with the highest levels of illicit cigarette consumption (about 20% of the total cigarette consumption).

During 2017, a total of 5.4 billion illicit cigarettes flowed out from Greece to 11 countries. Of these illicit flows, 2.2 billion cigarettes arrived in Turkey and 1.5 billion entered Libya.

In 2017, the two key final destinations for illicit cigarettes that passed through Greece were Turkey (1.9 billion cigarettes) and Tunisia (1.4 billion cigarettes). Only about 0.5 billion illicit cigarettes that transited in Greece ended up in other EU MSs—including France, the United Kingdom, Austria and Germany.

At the beginning of the 21st century, Greece was turning into a source for illicit whites.⁸¹ Illicit whites produced in the country were mainly destined for Spain and France.⁸² In 2017, intelligence provided by OLAF enabled the Greek Customs Service to seize 6 million illicit white cigarettes of the Royal brand. It was discovered that these cigarettes had started their journey as legal exports from Greece to Asia, but had then been smuggled back to Greece.⁸³

Box 9. The Greek economic crisis

The economic crisis that hit Greece in 2008 has to be considered the lens through which to evaluate the illicit trade in the country.

Greek LEAs faces difficulties in preventing the problem of illicit trade from spreading because of a shortage of means; their strategic and long-term operations had to be replaced by short-term priorities.

The crisis affected the legal market and, at the same time, fostered the black one, which became more attractive to consumers suffering from a decrease in their purchasing power.

Lastly, the 2008 debt crisis negatively influenced the Greek socio-economic context, and induced citizens to look for other (illegal) sources of goods and services. In the 6-year period of economic stagnation and recession, crime rates increased, salaries diminished, the unemployment rate was about three times higher than the EU average, and corruption levels rose.⁸⁴



ILLICIT CONSUMPTION

Tot. illicit cigarettes consumed

0.7 billion

Tot. illicit cigarettes consumed of unknown origin

0.3 billion

Main origin of illicit cigarettes

Bulgaria



ILLICIT INFLOWS

N. of inflows

7

Tot. inflowing volume

1.4 billion

Main inflow

0.3 billion sticks from Albania (21% of tot. inflows)

N. of countries of origin of the inflowing cigarettes

68



ILLICIT OUTFLOWS

N. of outflows

6

Tot. outflowing volume

1.0 billion

Main outflow

0.5 billion sticks to Albania (50% of tot. outflows)

Tot. illicit cigarettes originating in Montenegro

0.009 billion

Main final destination of the outflowing cigarettes

Greece

MAIN ILLICIT INFLOWS AND OUTFLOWS BY COUNTRY OF ORIGIN

The visualization depicts the 5 main inflows and the 5 main outflows disaggregated by origin of the cigarettes flowing.

Legend

○ Transit and destination country -○- Indirect connection

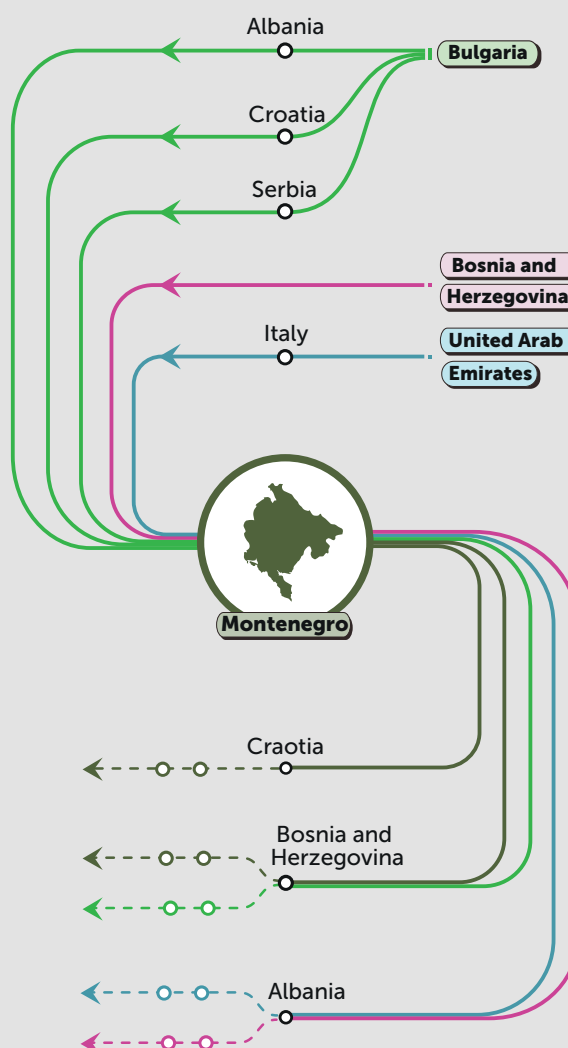
Origin of the cigarette flows

United Arab Emirates
Bulgaria
Montenegro
Bosnia and Herzegovina

Volume (N. of sticks)

Graphic reference scale

4 billion
2 billion
≤ 0.2 billion



During the Yugoslav wars, Montenegro had been a notorious major hub of cigarette smuggling.⁸⁵

The corruption of the political elite during the 1990s facilitated the smuggling activities with a substantial economic return; at that time, cigarette trafficking accounted for about 60% of the GDP.⁸⁶

Montenegro was a crucial transit country for cigarettes bound for Italy. Broker companies purchased cigarettes and then transferred them to Montenegro; once the Montenegrin criminals had received these consignments, they collaborated with Italian OCGs to organise the journey of the cigarettes across the Adriatic Sea.⁸⁷

Montenegro cooperates with European authorities to strengthen its counter-measures against cigarette trafficking

Today, Montenegro is not the key transit point for international cigarette trafficking that it used to be. Nevertheless, in 2017, 1 billion illicit cigarettes flowed out of Montenegro, which means that **the equivalent of more than 80 packs of cigarettes per inhabitant were trafficked abroad.**

Cigarettes flow from Montenegro to 6 countries: Albania (0.5 billion), Croatia, Bosnia and Herzegovina, Italy, Kosovo and Serbia.

The port of Bar is a much exploited starting point for counterfeit cigarettes and illicit whites bound for the EU MSs,⁸⁸ and also to other countries including Libya (see Box 10). In particular, according to European authorities, between 2013 and 2015, **2.8 billion cigarettes were smuggled from the port of Bar to North African territories in areas controlled by terrorist networks.**⁸⁹ When the Adriatic route to Italy came under the attention of LEAs, Montenegrin criminals sought new opportunities and met the interests of terrorist groups.⁹⁰

Among the 68 different origin countries of illicit cigarettes that flow into Montenegro, the United Arab Emirates is the main one. In 2017, about 25% of the illicit cigarettes entering the country originated in the Emirates.

In terms of consumption, in 2017 **approximately half of the total cigarette consumption consisted of illicit cigarettes.** Bulgaria is the primary country of origin of the illicit cigarettes consumed in Montenegro.

Box 10. Egyptian Cleopatra cigarettes counterfeited in Montenegro

In 2018, an investigation conducted by the Balkan Investigative Reporting Network (BIRN) and Arab Reporters for Investigative Journalism (ARIJ) was released.⁹¹ According to the investigators, the Montenegrin state-owned factory, Duvanski Kombinat Podgorica (DKP), had purportedly been running counterfeiting operations for several years. The brand that had allegedly been copied was the Cleopatra cigarette, which was first created by the Egyptian Eastern Company S.A.E. in 1961.

Despite warnings from LEAs, the Montenegrin production had presumably continued for years. OLAF and the Egyptian officials suspected that the cigarettes were being smuggled to Libya by boat, arriving in Benghazi, Tobruk and Misrata, after which they were distributed across the Maghreb. Between 2012-2018, numerous shipments of cigarettes leaving Montenegro were intercepted by coastguards of EU MSs.

DKP denied the allegations of illegal conduct and claimed that they had been contracted by Liberty FZE, an offshore company registered in the Emirates, which reportedly presented the trademark* to produce the cigarettes. Besides Egyptian Cleopatra cigarettes, DKP also produced Tunisian Mars and Algerian Rym cigarettes—for which Liberty FZE registered the trademarks in Montenegro only in 2015. With a trademark registered in Montenegro these cigarettes can only be sold on the Montenegrin market. Moving the Cleopatra branded cigarettes to Libya is thus a clear violation, as Eastern Company holds the rights to sell the cigarettes in that country.

In 2016 DKP was privatised. This halted Liberty's operations. Not for long, however, because Liberty FZE reportedly registered the Cleopatra trademark in Kosovo and invested 1 million € in a cigarette manufacturing facility located in the port of Bar Free Zone.⁹²

*Its authenticity was disputed by the Egyptian Eastern Company S.A.E..

5. Evolution of the Route

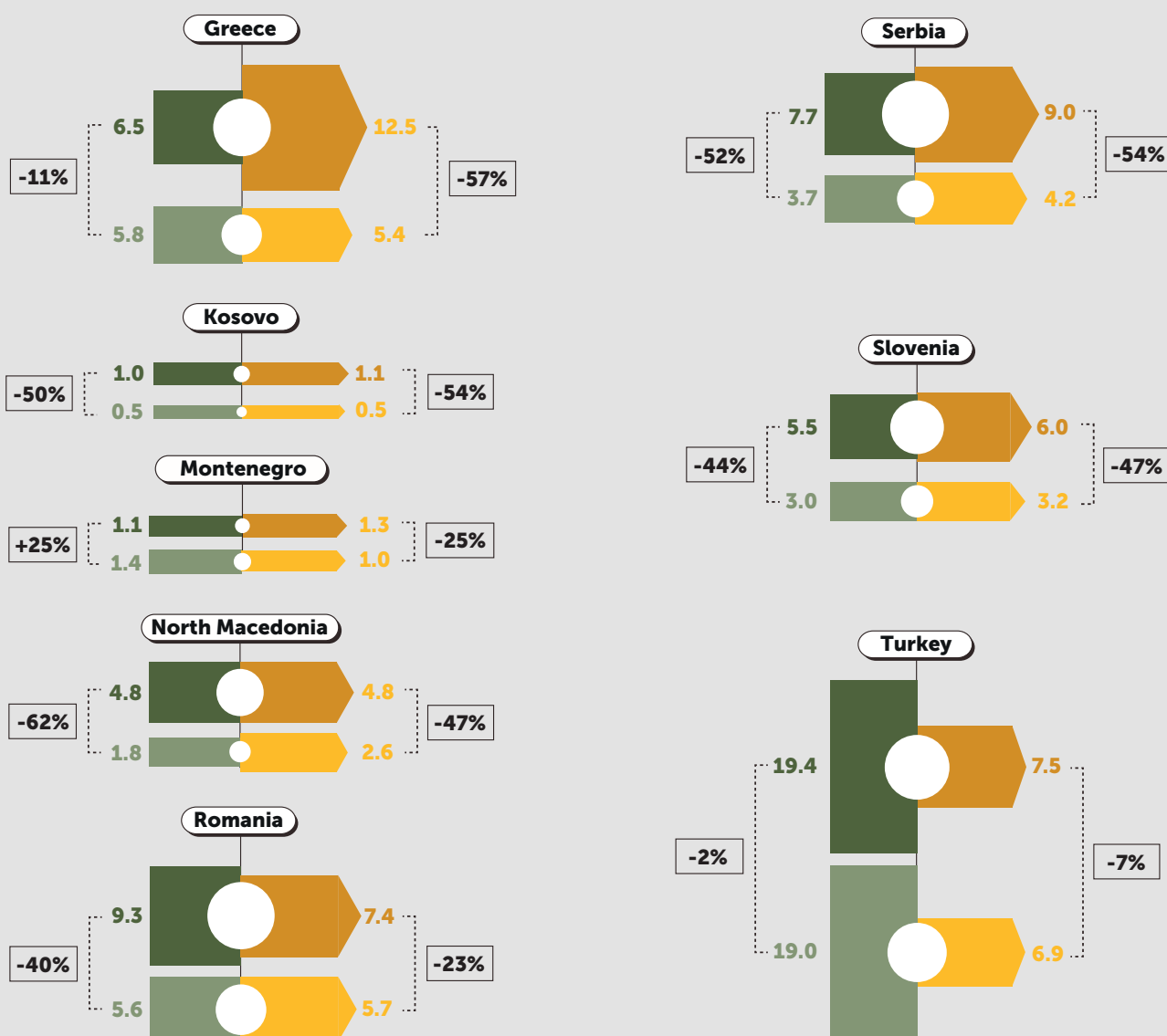
Overall **cigarette trafficking along the Extended Balkan Route decreased from** an average of 34.0 billion cigarettes over **2008-2012** **to 29.1 billion in 2017** (see Figure 4). This decrease was mainly due to a **reduction in the volume of illicit cigarettes intended for EU countries**, which declined **by about 40%** from 14.4 billion in 2008-2012 to 8.7 billion in 2017.

Over this time period, **the role of Bulgaria as an origin country for illicit cigarettes greatly decreased**—illicit cigarettes originating in Bulgaria roughly halved. On the other hand, cigarette smuggling through Turkey registered only a minor decrease. Changes in various political, regulatory and socio-economic factors in countries in the Balkan area drove cigarette smuggling down. Simultaneously, the paths of the illicit flows of cigarettes that originated from or crossed the Balkans and Turkey changed.

Over the years 2008-2017, Balkan countries—with few exceptions—witnessed a decrease in cigarette trafficking

Figure 4. Comparison of inflows and outflows of illicit cigarettes in the countries of the Extended Balkan Route (2008-2012 avg. and 2017)





Note: The graph provides a comparison of the illicit flows (inflows and outflows) traversing the countries in the Extended Balkan area in different points in time. For each country the estimate of the flows in 2008-2012 (annual average) and the estimate of the flows in 2017 are provided. Note that illicit cigarettes outflowing from a country may be included in the estimate of the inflows of another country depending on the overall structure of the trafficking Route.

Evolution in the south-eastern cluster

In Greece, total illicit outflows of cigarettes diminished by about 57%, from 12.5 billion in 2008-2012 (annual average) to 5.4 billion in 2017. In particular, the trafficking of Greek cigarettes dropped in the last five years (about -90%). Accordingly, Greece's role as transit country for the illicit flows heading for EU MSs halved,

from an average of 1 billion cigarettes per year between 2008-2012 to 0.5 billion in 2017.

This decrease may have been a consequence of the stronger penalties imposed for cigarette trafficking in the country, where this offence was considered as a possible organised crime starting from 2012. At the same time, the severe economic regression caused a significant

increase in the illicit consumption in Greece, which accounted for less than 1% of total consumption in 2008-2012 and around 20% in 2017.

By contrast, outflows from Greece to Libya increased by almost 300% in the same period, from about 0.4 billion to about 1.5 billion. In the same period Libyan borders became more fragile and the country emerged as a key hub of cigarette trafficking.

In 2017, the overall outflow of illicit cigarettes from Turkey dropped by about 7%—compared to the average over the 5-year period between 2008 and 2012. However, **illicit flows of cigarettes from the Middle East to Turkey grew considerably**. Many of the cigarettes flowing into Turkey from the Middle East are consumed in Turkey.

From 2008-2012 to 2017, there was a surge of 600% in inflows from Iraq—from a 0.5 billion yearly average over 2008-2012 to nearly 3.3 billion cigarettes in 2017. Inflows from Syria and Iran also increased by 150% and by 140%, respectively.

- Syria has suffered from long-lasting internal conflict. Many of the different actors involved in this conflict have allegedly been relying on financing generated, partly, by illicit trade in cigarettes and other goods—which is in turn facilitated by the political disorder, but also by corruption of border officials.⁹³
- In Iran, the population, and especially the marginalised communities, may have started to feel the consequences of the international sanctions and the United States' efforts to isolate Iran economically. Consequently, the increasing unemployment levels in Iran's Kurdish regions and the Iranian government's inability to cope with this problem may be the reasons why close to 20,000 people per year choose to become smugglers.⁹⁴

Turkey witnessed an increase in terms of cigarettes flowing from its territory to Europe—EU and non-EU: from 1.3 billion cigarettes on average per year between 2008 and 2012 to 3.6 billion in 2017. In particular, outflows from Turkey to Bulgaria nearly tripled from about 0.5 billion to 1.5 billion illicit cigarettes.

Despite the sharp increase in the inflows from Turkey, **total inflows in Bulgaria decreased by approximately 23% from 2008 to 2017**, from 8.1 billion illicit cigarettes in 2008-2012 (average per year) to 6.2 billion in 2017. In the same period, the United Arab Emirates took the place of Greece as the main origin of the illicit cigarettes flowing into Bulgaria. Over the same period, **the total outflows from Bulgaria decreased by almost 30%**, from 16.8 billion to 11.8 billion illicit cigarettes. However, **the number of cigarettes transiting in Bulgaria to reach EU MSs decreased slightly** from 2 billion on average per year for the period between 2008-2012, to 1.7 billion in the year 2017.

Evolution in the north-western cluster

Among smaller markets, Croatia witnessed a rise in seizures during the years 2010-2013. This increase followed Croatia's accession to the EU and its adoption of the EU tax requirements (see Figure 5).⁹⁵ Nonetheless, **the role of Croatia in the transnational trafficking of cigarettes has diminished in the most recent years**, as testified by the reduction in volumes of both illicit inflows (about 55%) and outflows (about 50%).

Once a key transit country for illicit cigarettes, **Slovenia has become a final destination**. Between 2008-2017, the illicit consumption increased from approximately 0.2 billion to 0.3 billion cigarettes. Both inflows and outflows decreased from 2008 to 2017 of about 44% and 47%, respectively. In 2017, 60% of the total inflows into Slovenia originated from Bosnia and Herzegovina.

The reduction of both inflows and outflows can be explained by the intensified border controls. Since 2016, the Italian police has carried out more frequent checks at—both rail and road—border crossings with Slovenia in response to the increase of migrants trying to enter Italy illegally via Slovenia.⁹⁶ In 2017, the EU ordered the temporary implementation of security checks at the Slovenian-Croatian border and a stricter external border regime to detect returning foreign fighters from Syria and Iraq.⁹⁷

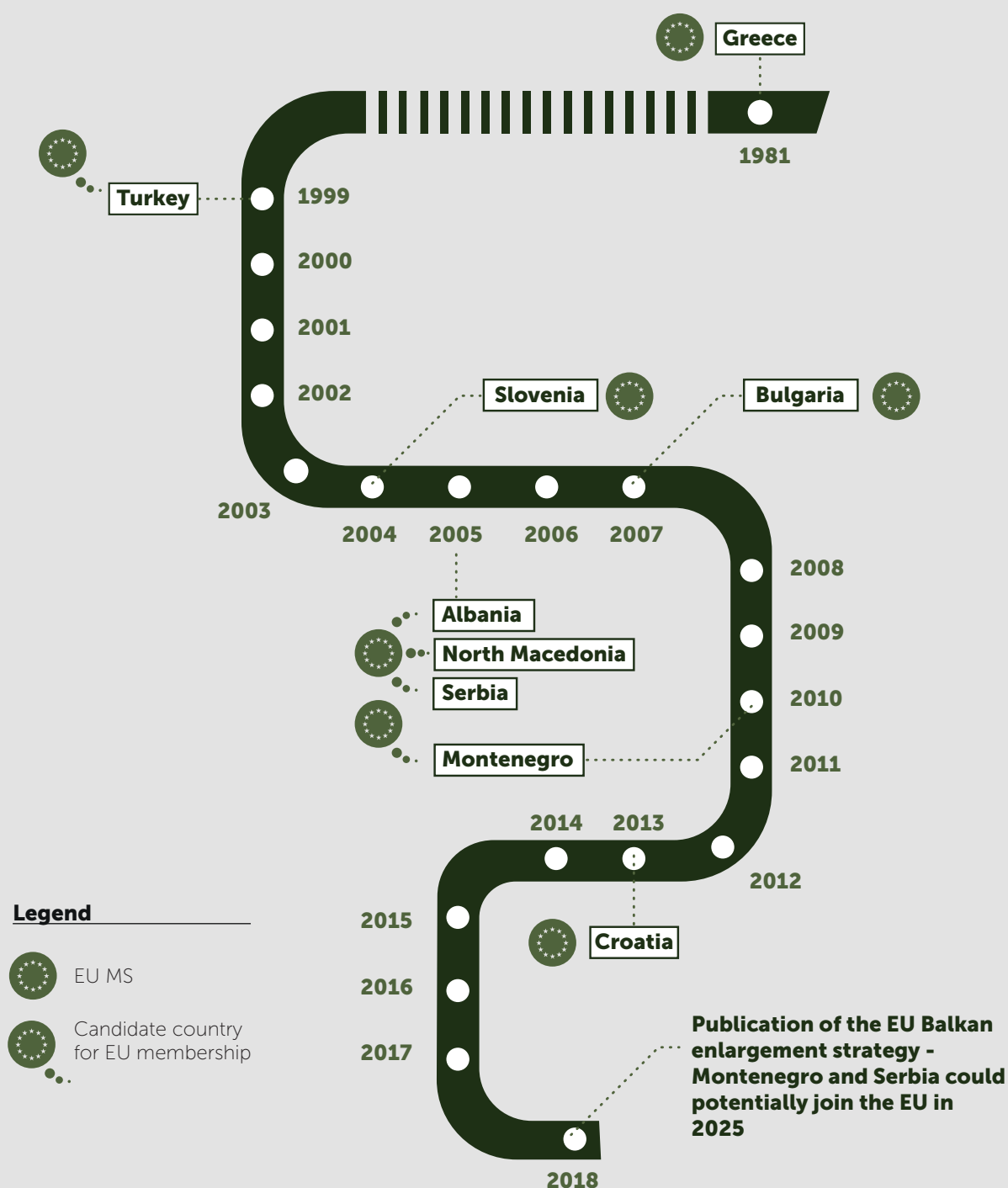
Between 2008 and 2017, cigarette prices **in Bosnia and Herzegovina** registered a rise corresponding to about 450% (from 0.36€ in 2008 to 1.99€ in 2017) for the cheapest available cigarettes, and a 66% price increase for a package of premium cigarettes (from 1.60€ in 2008 to 2.66€ in 2017). **The large increase in the price of cigarettes has driven down their smuggling**. Nonetheless, during 2017, illegal cigarettes from Bosnia and Herzegovina continued to flow to the illegal tobacco markets of Croatia and Montenegro, with Montenegro itself and France as the main final destinations.

Over the period from 2008-2017, **illicit cigarettes steadily accounted for a small share of the North Macedonian cigarette consumption.** In 2017, illicit cigarettes accounted for a mere 1.4% of the North Macedonian

market—a much smaller illicit consumption share in comparison to other countries in the region (e.g., Montenegro 53%, Greece 20% or Turkey 18%). In the same years, **North Macedonia also recorded a**

reduction of about 62% in the illicit inflows and about 47% in the illicit outflows as a result of the efforts made by the North Macedonian government.⁹⁸

Figure 5. Entry into the EU of countries along the Extended Balkan Route (1981-2018)



6. Future challenges and perspectives

Despite the recent decrease in the trafficking of cigarettes along the Extended Balkan Route, cigarettes trafficking will probably still involve the countries along the Route in the coming years.

In the near future, it is likely that Turkey and the Balkan region will continue to be pivotal for illicit flows, including illicit cigarettes

The potential **inclusion of Bulgaria and Romania in the Schengen area may create new security concerns for LEAs** in the region. The countries' accession to the free-border area will result in the lifting of internal controls and possible unrestricted access for smugglers travelling via land from Greece to Hungary.⁹⁹

It is likely that Serbia, Montenegro and North Macedonia will continue to play a central role in cigarette smuggling in the short term. Price disparities between these countries and the EU MSs—added to tax avoidance and weak fiscal harmonization—make them origin, transit and destination countries for illicit cigarettes.

The evolution of smuggling routes across these territories may vary according to the fiscal policy alignment and the efforts made to counter smuggling activities, which should comprise appropriate information sharing among LEAs and joint force actions.¹⁰⁰

More in general, in the coming years Western Balkan countries may display the persistence of some structural factors potentially influencing cigarette trafficking.

Even though some countries have experienced a reduction in unemployment, in the Western Balkans, unemployment remains—and it is predicted to remain—high.¹⁰¹ Specific actions are needed to solve this structural problem. Youth unemployment requires particular attention because it may turn into a security risk.¹⁰² **the lack of job opportunities may drive young people towards criminal activities.**¹⁰³

Corruption will probably still pose a serious problem obstructing the efficient performance of political institutions and LEAs in the near future.¹⁰⁴ Western Balkan countries would need to reinforce their fight against corruption in order to weaken private interests—in favour of civil society's priorities—and progress towards independent, transparent and more credible systems.¹⁰⁵

Ethnic fragmentation itself is not a negative factor. Nevertheless, tensions between different ethnic groups have been an important driver of instability and have

incentivised crime. Thus, a peaceful coexistence in the Balkan countries needs to be preserved or achieved. Multiethnicity is often misused in political discourse, creating tensions among the population. Minorities may see themselves more as foreigners than as members of the state. This problem is further exacerbated by **continuous territorial claims which contribute to creating disorders in the administration of borders, easing the passage of trafficking flows.**¹⁰⁶

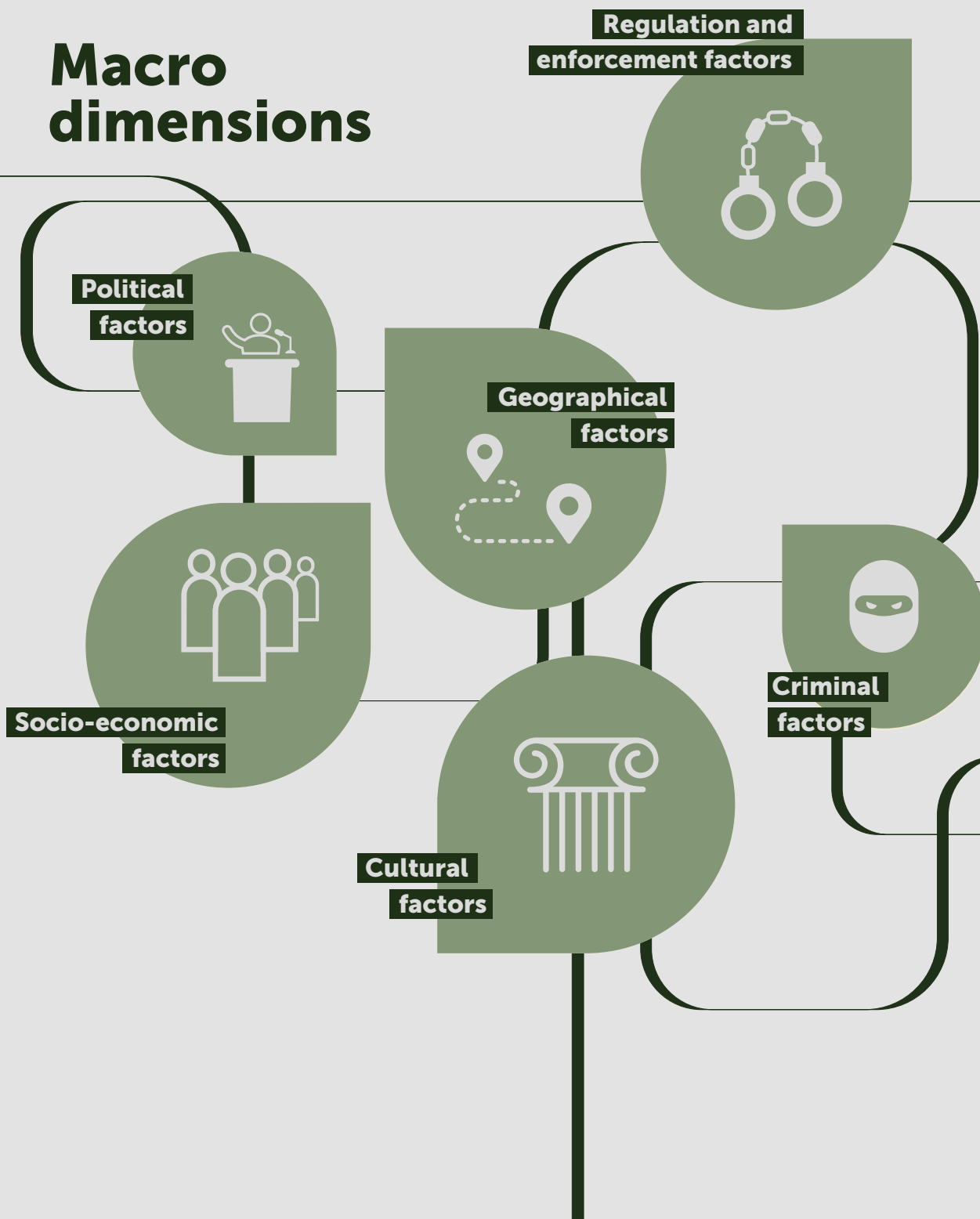
5 Balkan countries have made an effort to reduce illicit trades by signing border cooperation agreements with the EU

Between 2018 and the beginning of 2019, the governments of Montenegro, Albania, Serbia, Bosnia and Herzegovina, and North Macedonia signed border cooperation agreements with Frontex. The agreements allow Frontex teams to be deployed on the territory of these countries to improve border security and to fight transnational crimes.¹⁰⁷ In the near future, this could have a positive impact on the reduction of cigarette smuggling in those countries.

7. Enabling factors in brief

Several factors and incentives drive smuggling activities in the area.¹⁰⁸ All of them are interconnected and influence each other. For clarity, they have been divided into six macro dimensions.

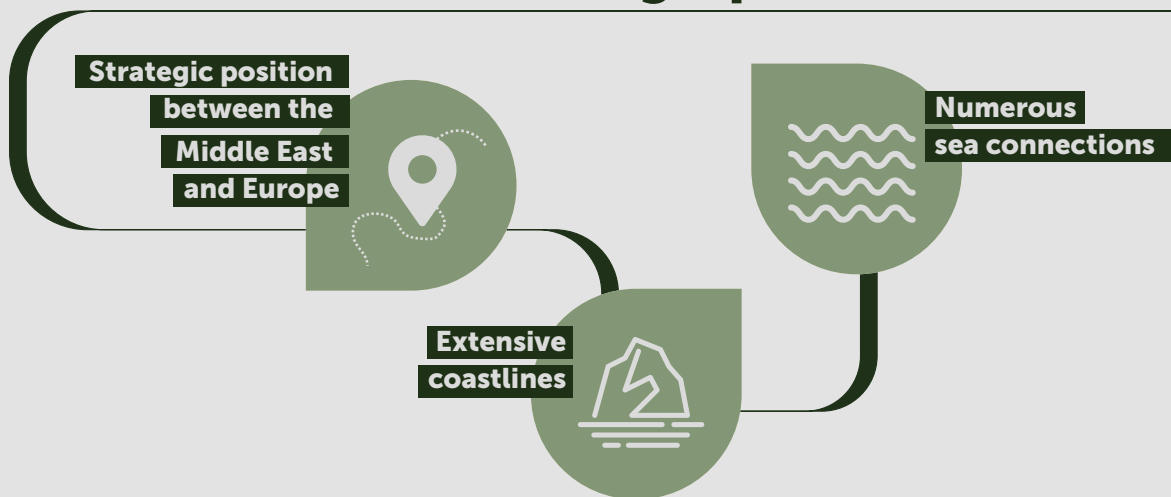
Macro dimensions



Political factors



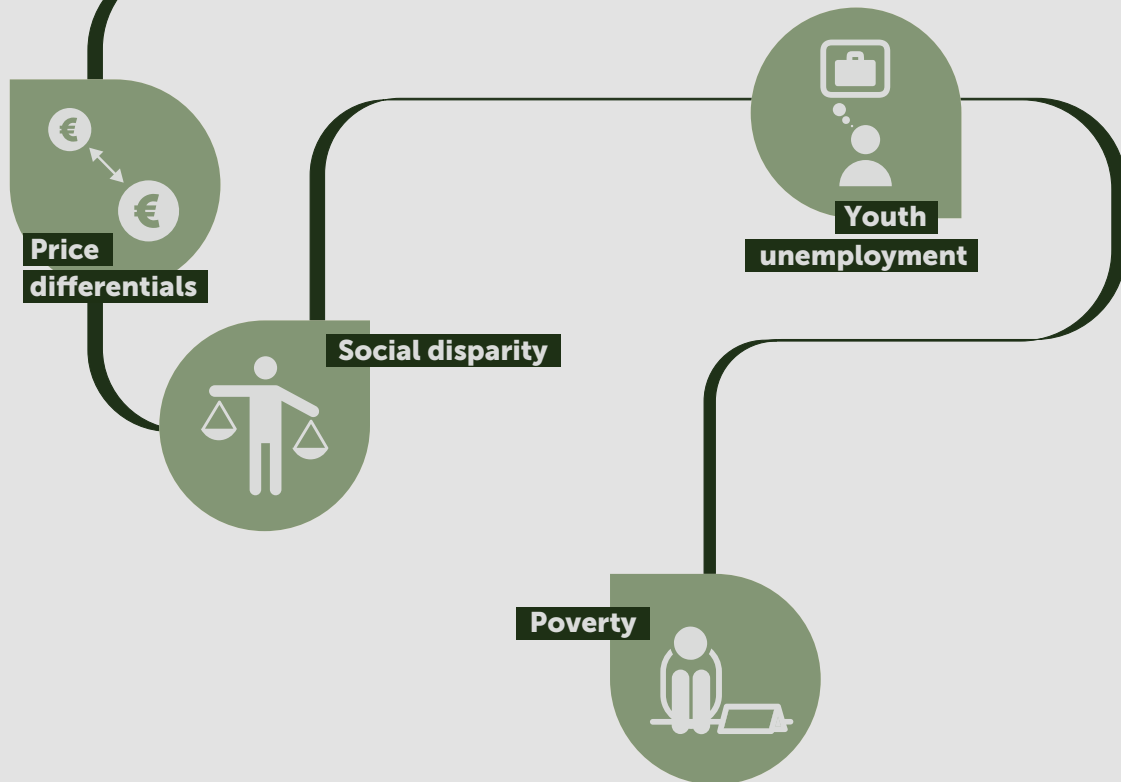
Geographical factors



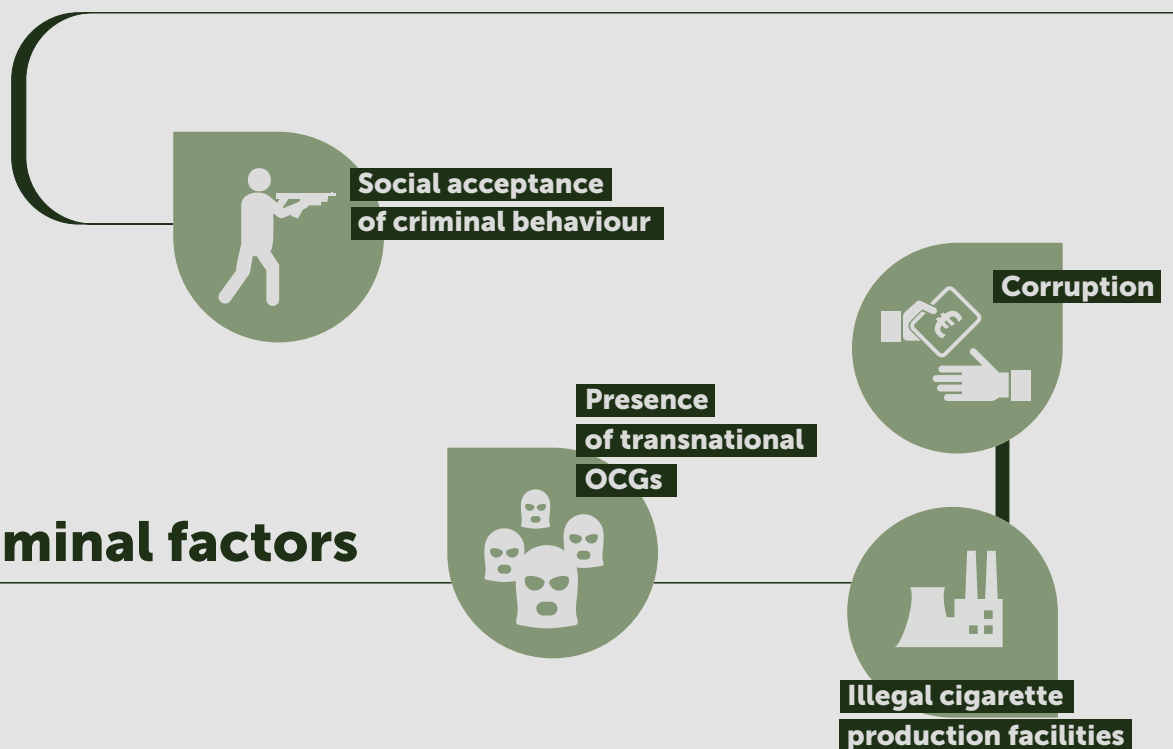
Regulation and enforcement factors



Socio-economic factors



Cultural factors



Criminal factors

Glossary

The following terms have been used in the present booklet with the following meaning:

Bootlegging: the legal purchase of tobacco products in a low-tax country and their illegal retail in a high-tax country. Bootlegging concerns individuals or small groups who smuggle small quantities of cigarettes, taking advantage of tax differentials, with the aim of making extra income.¹⁰⁹

Contraband or smuggling: the unlawful movement or transportation of cigarettes from one tax jurisdiction to another without the payment of applicable taxes or in breach of laws prohibiting their import or export.¹¹⁰

Counterfeits: cigarettes illegally manufactured and sold by a party other than the original trademark owner. Counterfeits can be sold in the source country or smuggled into another country, both without paying taxes.¹¹¹

Destination country: country in which illicit cigarettes originating in another country are finally consumed.

Domestic cigarettes: cigarettes that originate from the same market in which they are consumed.

Domestic whites: domestic cigarettes that are priced below the minimum tax yield. These cigarettes are treated as having not been legally sold in the country in question.¹¹²

Empty pack survey (EPS): survey collecting and analysing empty cigarette packs to estimate the share of domestic, non-domestic and counterfeit packs in each country.

Flow: the movement of cigarettes between two countries.

Illicit whites: cigarettes manufactured legally in a country but intended for smuggling into other countries where they usually have limited or no legal market. While their exportation may occur legally—or may not—and taxes in manufacturing countries are usually paid, their import into and sale in destination countries is always illegal and takes place without the payment of applicable taxes.¹¹³

Inflow: the inward flow of cigarettes.

Law enforcement agencies (LEAs): governmental and international agencies responsible for the enforcement of the laws; with respect to cigarette trafficking, international and national Police and Customs that coordinate, support and conduct anti-cigarette smuggling actions.

Eurojust, Europol, Frontex, OLAF, Interpol and the World Customs Organization are the international and European agencies included in this category.

Non-domestic cigarettes: cigarettes that originate from a market different from the one in which they are consumed. They may be legal if brought into the market legally by consumers, for instance during a cross-border trip, or illegal if brought into the market illegally.¹¹⁴

Origin country: country from which the illicit flow of cigarettes originates.

Outflow: the outward flow of cigarettes.

Path: the ordered sequence of countries through which illicit cigarettes transit while going from their country of origin to their final destination.

Route: the broad combination of paths and flows connecting different macro regions in the transnational trafficking of cigarettes.

Transit country: country through which cigarettes pass to flow from their country of origin to their country of destination.

Unspecified: cigarette packs which do not bear specific market labelling.¹¹⁵

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