

POLICY IMPLICATIONS

Presenting Policies to Tackle
Cigarette Trafficking

6 ITTP NEXUS
IN EUROPE
AND BEYOND

2019

POLICY IMPLICATIONS

Presenting Policies to Tackle Cigarette Trafficking

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 authors

Marina Mancuso

Rogier Alexander Rutgers

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: Mancuso, Marina and Rogier Alexander Rutgers. 2019. "Policy Implications - Presenting Policies to Tackle Cigarette Trafficking". In *ITTP NEXUS in Europe and Beyond*, edited by Alberto Aziani and Marco Dugato. Milano: Transcrime – Università Cattolica del Sacro Cuore. © 2019

ISBN: 978-88-99719-19-7

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**

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

Explanatory notes	8
Introduction	9
Key facts	10
Countering policies	13
1. Institutional policies	16
2. Geography-related policies	17
3. Regulatory policies	18
4. Socio-economic policies	24
5. Culture-related policies	25
6. Crime reduction policies	27
Glossary	29
End notes	30

BOOKLET 7 **METHODOLOGY**

Estimating Illicit Flows of Cigarettes and the Impact of Enabling Factors

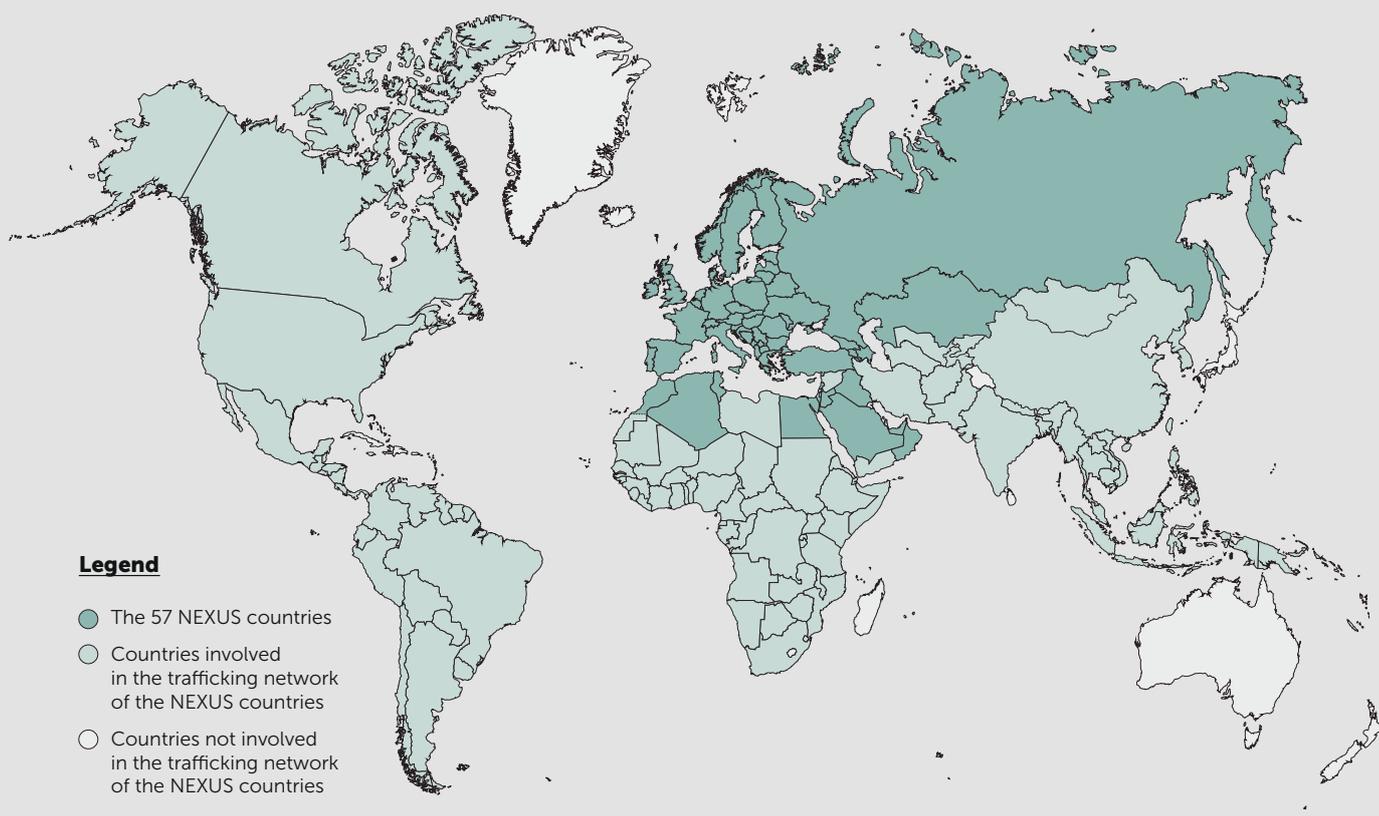
Explanatory notes

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 this booklet:

EU	European Union	OLAF	European Anti-Fraud Office
EUBAM	The European Union Border Assistance Mission to Moldova and Ukraine	SELEC	Southeast European Law Enforcement Center
FATF	Financial Action Task Force	TPD	Tobacco Products Directive
FTZ	Free Trade Zone	UNCAC	United Nations Convention against Corruption
LEA	Law Enforcement Agency	UNODC	United Nations Office on Drugs and Crime
MS	Member State	UNTOC	United Nations Convention against Transnational Organized Crime
NGO	Non-Governmental Organisation	VAT	Value Added Tax
OCG	Organised Crime Group	WCO	World Customs Organization
OECD	Organization for Economic Co-operation and Development	WHO	World Health Organization
		WHO FCTC	WHO Framework Convention on Tobacco Control

The 57 NEXUS countries and their trafficking network



Introduction

This booklet constitutes the sixth chapter of the *ITTP NEXUS in Europe and Beyond* Report. It presents the emerging implications that may guide policy makers, regulators and LEAs to devise strategies to combat and prevent cigarette smuggling within and among the countries included in the analysis.

The booklet is divided into six sections. Each section outlines the key policy implications associated with one of the six explanatory factors affecting cigarette trafficking: political, geographical, regulation and enforcement, socio-economic, cultural, and criminal.

Some of these factors concern macro problems:

- conflicts and political instability for political factors;
- high unemployment rates for economic factors;
- high level of corruption, presence of active OCGs and terrorist groups for criminal factors.

These macro problems require a holistic approach when working towards a solution. The suggested policies propose broad strategies to address the issues.

The other factors are directly related to cigarette trafficking. The corresponding suggested policies are specifically tailored to fill the apparent gaps in the current approaches, methods and regulations in the fight against cigarette trafficking.

Key facts



Institutional policies

Strengthening institutional and law enforcement capabilities reduces countries' vulnerability to cigarette trafficking.



Geography-related policies

Cigarette trafficking is a crime that concentrates along specific paths. **Establishing or tightening border controls at the hot spots** could reduce this illicit trade.



Regulatory policies

Harmonised national taxation regimes would reduce the trafficking of cigarettes to countries where cigarettes are more expensive.

Tax increases should be implemented gradually, with consideration of the overall economic situation of the country and combined with additional anti-illicit trade legislation. This strategy would mitigate incentives to buy illicit cigarettes.

Well calibrated regulation of the markets for e-cigarettes and vapour devices would limit the shift by consumers to illicit products.

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

Enhancing cooperation among custom authorities is vital to effectively tackle cigarette smuggling.



Socio-economic policies

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

Improving populations' life conditions could discourage vulnerable people from getting involved in cigarette trafficking or purchasing illicit products.

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



Culture-related policies

Public awareness campaigns could reduce the tolerance of criminal behaviours and the consumption of illicit cigarettes.



Crime reduction policies

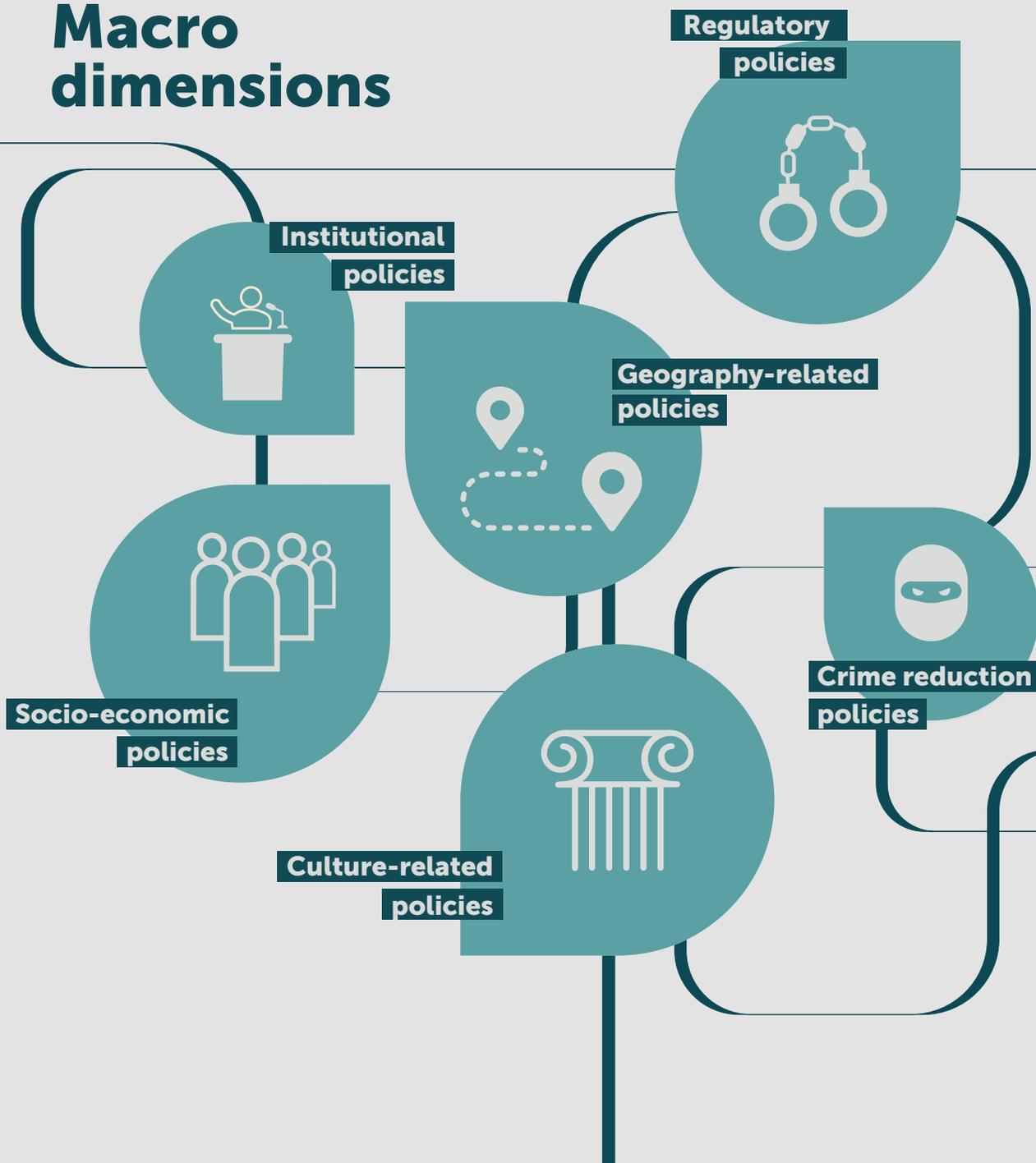
Broad anti-money laundering, terrorism financing and corruption measures could reduce incentives for OCGs and terrorist groups to engage in cigarette smuggling.

Countering policies

Countering policies operate on the enabling factors affecting the probability of a country becoming an origin, a transit point, or a destination for illicit cigarettes.

As the enabling factors, also the countering policies are multiple and interconnected. For clarity, they have been divided into six macro dimensions.

Macro dimensions



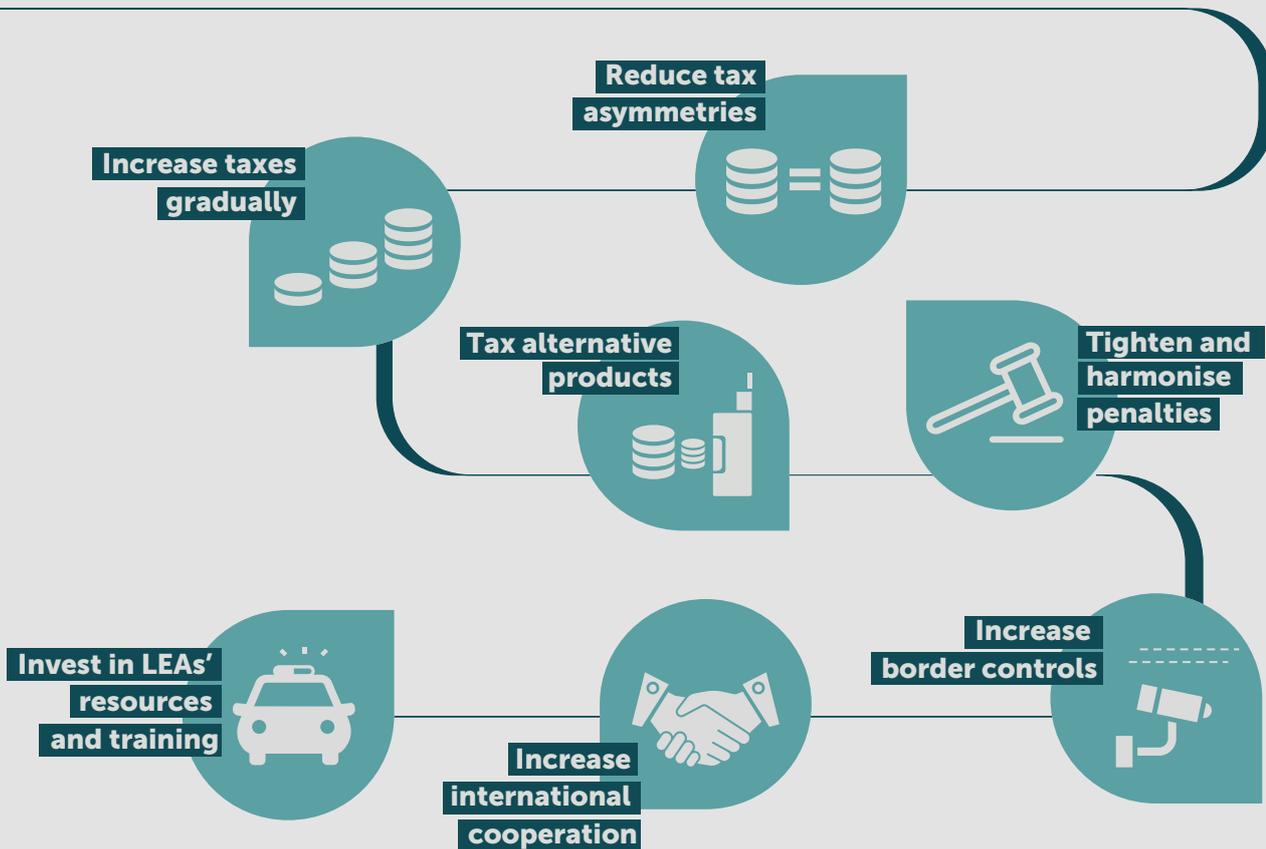
Institutional policies



Geography-related policies



Regulatory policies



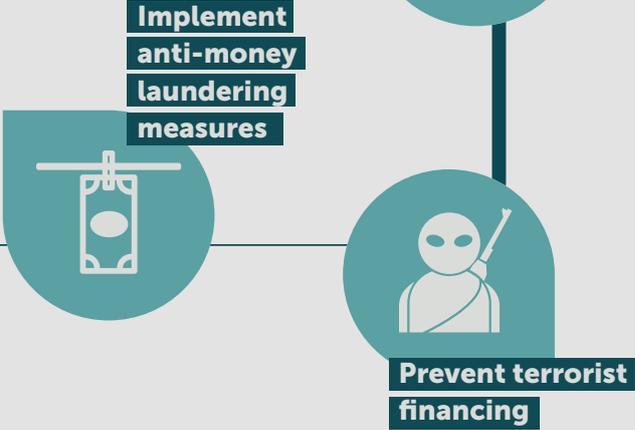
Socio-economic policies



Culture-related policies



Crime reduction policies



1. Institutional policies

► Reducing political instability and/or internal and external conflicts

Assisting the countries with a key role in the illicit cigarette routes and suffering from internal instability would help them to strengthen the institutions and LEAs' abilities **to combat cigarette smuggling** (see Box 1). The assistance could entail providing the resources and personnel necessary to temporarily fill in the existing gaps within regulatory bodies or LEAs (e.g., border control).

The World Bank argues for a development mechanism based

on a bottom-up strategy to prompt institutional reforms in fragile states. This entails involvement of the civil society in order to foster a sense of ownership of the development process. Assuming a coordinating role and taking credit for successful local policies will enable governments to regain their legitimacy.¹

Bottom-up strategies require balancing locally and centrally launched initiatives; enhancing political stabilization processes; setting up support systems for the poor; involving NGOs; and lastly, building participatory decision-making structures.²

Strengthening institutions and legal enforcement capabilities reduces countries' vulnerability to cigarette trafficking

Box 1. Political evolution and reduction of cigarette trafficking in Croatia

Since declaring its independence from Yugoslavia in 1991 and the four-year war that ensued, Croatia has been going through a democratic transition.³ The country has undergone a gradual political evolution away from a semi-authoritarian government. In particular, since the beginning of the 2000s, Croatia has made progress in terms of combatting corruption, implementing

legal reforms and offering more freedom to civil rights movements.⁴ At the same time, within the context of joining the EU, Croatia has adopted tobacco control legislation and anti-smuggling measures.⁵

As result of this complex and multifaceted process, in recent years Croatia's role in the transnational smuggling of

cigarettes has decreased—in terms of both illicit inflows and outflows of cigarettes. Inflows to Croatia have declined—from an average of 5.4 billion over 2008-2012 to about 2.5 billion in 2017. The total illicit outflows from Croatia have halved, from 4.8 billion cigarettes (2008-2012 average) to roughly 2.4 billion sticks in 2017. This could be a possible consequence of the political developments that Croatia has undergone.

2. Geography-related policies

► Increasing border controls at the hot spots

Although cigarette trafficking is geographically widespread, analysis of the illicit flows of cigarettes shows that the main flows concentrate in specific countries and areas.

These hot spots are areas that have proven to be hubs for cigarette smuggling. They are mainly

concentrated in countries with direct access to the sea and with long internal borders. This also applies to countries close to lucrative markets.

Assessing trafficking hot spots and establishing tighter border controls in these areas is strategic for fighting cigarette trafficking more efficiently (see Box 2).

The hot spots for cigarette trafficking should be controlled with tighter security measures

Box 2. A successful example of tighter border controls at the hot spots

In the 2000s, Poland had been a key transit country for illicit cigarettes originating mainly in Belarus, Ukraine and Russia, and bound for the EU. To reduce this illicit trade, the Polish government invested economic resources to develop an efficient smuggling detection system.⁶

In 2011, X-ray scanners were installed in the Ukrainian-Polish border city of Medyka to facilitate

the control of railway wagons coming from Ukraine along this important trafficking path.⁷ This significantly decreased illicit cigarette flows from Ukraine to Poland from nearly 6 billion in 2008-2012 (annual average) to about 3 billion in 2017.

Other X-ray scanners and detection systems were set up along the borders with the Russian exclave of Kaliningrad,

Belarus and Lithuania.⁸ Also in these cases there was a reduction in the illicit cigarettes flowing into Poland. Inflows from Russia decreased from 1.2 billion in 2008-2012 (annual average) to 0.4 billion in 2017, and over the same time period inflows from Belarus and Lithuania decreased from 2.2 billion to 1 billion and from 1.9 billion to 1.3 billion, respectively.

3. Regulatory policies

► Amending and harmonising the taxation of smoking products

It is crucial to **decrease the differences**—in composition and level—**among excise duties levied on cigarettes in different countries**.

Cigarette tax regime harmonisation would help to:

- stop displacement from genuine cigarettes to cheaper, and possibly illicit, alternatives from another country (see Box 3);
- prevent traffickers from profiting from the differences in tax regimes among countries.

Directive 2011/64/EU on the structure and rates of excise duty applied to manufactured tobacco established a minimum rate of excise duties on cigarettes (including *ad valorem* rate and excluding VAT).⁹ The overall excise rate has to be at least 60% of the retail price and 90€ per 1000 cigarettes.¹⁰

Apart from Hungary and Romania, every EU MS has aligned its tax rates with the agreed-upon minimum rates on cigarettes.¹¹

The cigarette tax rates of the EU's neighbouring countries should ideally be changed to match the minimum EU tobacco tax level (see Box 4).

Alternatively, the EU tax regime should be calibrated to take the tax structure in extra-EU countries into account.

It is also crucial to **decrease differences among excise duties levied on the whole spectrum of smoking products** (i.e., cigarettes and cut tobacco).

The European Commission argues that this **could prevent consumers from switching to other tobacco product types**, especially fine cut tobacco, that have suddenly become comparatively cheaper.¹²

Directive 2011/64/EU aims at an increase in the fine cut tobacco excise from 48% to 50% of the retail price (or a tax floor of 60€ per kilogram) by 2020. This is intended to bring the overall minimum tax rate closer to the rate on cigarettes.¹³

The harmonisation of cigarette taxation would reduce the illicit flow of cigarettes to more lucrative markets

Box 3. Displacement and illicit flows

All serious transnational crimes, such as cigarette trafficking, exploit a variety of asymmetries in legislation, capabilities of LEAs, economic cycles, presence of organised crime, and in vulnerabilities such as corruption. A consequence of these asymmetries is crime displacement, which is the relocation of crime from one place,

time, target, or tactic to another. The displacement of crime enables perpetrators to maximise their gains and to minimise their costs such as conviction, seizures, and confiscation of their assets. Illicit actors exploit the criminal opportunities offered by the market, which create a trend toward the exploitation of

vulnerable geopolitical areas and weak law enforcement.¹⁴

To counter illicit traffics, it is essential to forecast the displacement of illicit flows, foreseeing the evolutions of the threat in response to specific counter-measures.

Box 4. Tobacco tax increases in Ukraine

In recent years, Ukraine has been implementing policies to harmonise the Ukrainian tobacco tax rates with those of the EU.

At the end of 2017, the Ukrainian parliament committed to a further increase in tobacco taxes by 20% annually until 2024.

Isolating the effects of the increase in tobacco taxes is not an easy task in the specific case, given the many changes affecting Ukraine in the same years, including the conflict

that broke out in Eastern Ukraine in 2014. However, two main dynamics are evident.

On the one hand, over the period from 2008 to 2017, the Ukrainian government accrued a significant revenue increase from tobacco taxes: from about 0.1 billion € in 2008 to about 1.3 billion € in 2017. The increase in the state budget ensued, besides the fact that, over the same period, the smoking prevalence among Ukrainian adults declined by 20%.¹⁵

On the other hand, illicit consumption increased from 0.2 billion cigarettes in 2008 to 8.7 billion in 2014. Illicit cigarette consumption diminished thereafter and reached 2.8 billion in 2017, still about 14 times higher than in 2008.

Increases in taxation may reduce outflows of cigarettes to other countries where cigarettes are more expensive, while they may simultaneously cause inflows of illicit cigarettes to expand.

► Preferring gradual increases in taxation

If a government decides to raise its taxes on cigarettes, **tax increases should be implemented gradually and in consideration of the overall economic situation of the country.**

Tax increases should be combined with additional anti-illicit trade legislation.

Avoiding abrupt price increases for legal cigarettes—especially in harsh economic cycles—helps in preventing people who have less to spend from switching to cigarettes from illicit sources.¹⁶

► Adjusting tax policies for alternative products

Smokers could seek alternative products to consume nicotine (i.e., e-cigarettes and other vapour-based technologies devices) whenever taxation on traditional cigarettes increases more than taxation on alternative products.

Instead, a generalised tax increase could induce smokers to shift to illicit cigarettes rather than these alternative products. Legislators may opt to impose lower taxes on products that are considered less harmful to health.

In the absence of specific EU dispositions on taxing e-cigarettes and heated tobacco products, the EU MSs may apply different national taxation regimes.¹⁷ Currently:

- Italy, Portugal, Romania, Slovenia, Latvia, Hungary, Finland, Greece, Croatia, Estonia and Lithuania tax e-cigarettes;¹⁸
- half of the EU MSs have introduced different taxes for heated tobacco and other alternative devices. Nearly all of them apply a tax based on the weight of the tobacco mixture and set the rate at or below the lowest tax on combustible tobacco.¹⁹

► Tightening and harmonising penalties

Updating the legislation on cigarette trafficking is a fundamental way to deal with this crime (see Box 5).

Providing a uniform legislation on cigarette trafficking among countries is of key importance in preventing the displacement of this crime from country to country. The *WHO Framework Convention on Tobacco Control* (WHO FCTC) and the *European Tobacco Regulation* go in this direction (see Box 6 and Box 7).

At the same time, the legislation should foresee **heavier penalties for cigarette smuggling**. This **could discourage** smugglers that consider the **illicit trade in cigarettes** as a way to earn easy money. This approach leverages on the deterrent effect that a higher penalty produces on the potential offender looking to engage in the small-scale trafficking of cigarettes.²⁰

Box 5. The legislative actions against cigarettes smuggling in Romania

The Romanian government instituted two action plans, in 2010 and 2012 respectively, to deal with cigarette smuggling. Both the plans applied a series of measures to improve the legislation framework on illicit tobacco products smuggling, i.e.:

- the seizure of vehicles employed for the illicit trafficking;

- the enhancement of investigation and prosecution;
- new legislation for cooperation between customs and financial institutions;
- criminalization of the marketing and sale of taxable products not properly marked or of uncertain origin.²¹

These legislative actions were correlated with a decline in illicit cigarette consumption, which had been rising over 2008-2010, but decreased from 6.5 billion cigarettes in 2010 to 2.5 billion in 2013. Inflows and outflows traversing the country also diminished: from an annual mean of 9.3 billion in 2008-2012 to 5.6 billion in 2017 (inflows) and from an annual mean of 7.4 billion in 2008-2012 to 5.7 billion in 2017 (outflows).

Box 6. WHO Framework Convention on Tobacco Control (WHO FCTC)

To address the growing illicit trading of tobacco products across borders, WHO FCTC developed the *Protocol to Eliminate Illicit Trade in Tobacco Products*, which was adopted in November 2012 and entered into force on the 25th September 2018. Its ten parts cover several topics, among which law enforcement, regulations on the licensing of

imports and exports, manufacturing and tracing system of products, international cooperation and judicial assistance.²² Part IV (art. 14) of the Protocol lists a series of activities that the Parties should define as unlawful under their domestic law (par. 2):

- completed or attempted tobacco smuggling;

- actions involving the ITTP cycle, as for example manufacture, brokering, sale, distribution, import and export without the payment of prescribed levies;
- blending tobacco with non-tobacco products;
- misrepresentation of information to escape control measures.²³

Box 7. European Tobacco Regulation

The European Commission revised the original 2001 Tobacco Products Directive (TPD) in April 2014, adopting the 2014/40/EU TPD, with the specific purpose of limiting the diverse legislative measures in force in the EU MSs.²⁴ The Directive, applicable since the 20th of May 2016, regulates

manufacturing, presentation and sale of tobacco products; specifically, systems of traceability and security for addressing the illicit trade are covered by art. 15 and 16. The aim of the traceability system is to reduce the circulation of illegal tobacco products and to improve the traceability of

goods by requiring that operators involved in the trade to provide the relevant information to an external provider. The Directive stipulates that these security measures must be implemented by the 20th of May 2019 for cigarettes and roll-your-own tobacco and 20th of May 2024 for other tobacco products.²⁵

New technologies make border and custom controls more efficient

► Increasing border controls and making them more efficient

Increasing border and custom controls and making them more efficient is a key strategy to combat cigarette smuggling. The focus of customs authorities should be on prevention of illicit cigarettes entering the country both for local consumption and for transit to reach their final destinations.

Investing in tried and tested technologies is a way to increase the capacity and speed by which the customs agencies can check shipments (see Box 8).

Many of the new technologies used to improve the detection of illicit goods, among which cigarettes, are developed and tested within the scope of EU-funded projects like the EU's *Horizon 2020* research and innovation programme (see Box 9).

Box 8. The successful use of X-ray scanners

Back in 1999, the Dutch customs authority at the port of Rotterdam began to use an X-ray container-scanner for the first time. Hitherto, containers had been examined by hand; this took the customs personnel about 6 hours per container. With the use of the X-ray scanner this time was reduced to three minutes, plus 15 minutes to analyse the X-ray images. During the first year of operation, the

Dutch customs discovered 307 million illicit cigarettes.²⁶

In 2017, the four terminals at the port of Rotterdam that handle 2.5 million containers per year obtained their own fully-automated X-ray container scanners. These scanners are advanced in the sense that dual-view images are produced—from the side and from the top. Analysts remotely

monitor the entire process in real time—the images and data are sent directly via fibre optic cables to the customs office, a few kilometres away. For companies that do not have the space for such a scanner, the Dutch customs authority operates trucks with mobile X-ray scanner units. The goal is to provide all major transshipment companies on Maasvlakte I & II (terminal areas) with their own fixed scanning installation.²⁷

Box 9. An example of new technology to detect illicit cigarettes

The *Effective Container Inspection at Border Control Points* (C-BOARD) Project is a EU *Horizon 2020* Project founded in 2015 with the aim of developing five technologies to

increase the interdiction of illicit or dangerous material (<https://www.cbord-h2020.eu/>). One of these technologies is the “Next Generation Cargo X-ray”. It provides X-ray image improvements,

chemical separation of overlapping objects and improved organic material classification technologies with which to identify illicit cigarettes in freight containers more efficiently.²⁸

Sharing intelligence, best practices, technologies and strategies facilitates the fight against cigarette smuggling and reduces displacement of the illicit activities

► **Increasing cross-agency and cross-border cooperation**

Cooperation in controlling borders is necessary to effectively tackle cigarette smuggling and avoid displacement of the smuggling activities, i.e., triggering shifts in smuggling routes to areas with less restrictive border control regimes.

Priority should be given to the national, regional, and international sharing of intelligence (see Box 10), best practices, policies, tools, technologies, tactics and strategies to combat illicit trafficking (see Box 11). This should also include maintaining information and databases on incoming and outgoing shipments, seizures of illicit products, criminal actors.

Cooperation should involve local, national and international LEAs (e.g., police, customs authorities, Interpol, Europol) and other public institutions (e.g., regulators, revenue agencies) along with WCO, OECD, and OLAF (see Box 12 and Box 13).

Cooperation should be enhanced both within countries and between countries

Box 10. Real-time intelligence exchange leads to seizure of 7 million cigarettes at EU external borders

In 2018, as a result of a Joint Border control operation codenamed *JANUS*, border agencies from various countries managed to seize more than 7 million illicit cigarettes. Hungary, Poland, Romania, Slovakia, Slovenia, Moldova and Ukraine joined the operation,

which was led by OLAF and the EUBAM. The customs agencies of the participating countries were given access to OLAF's intelligence sharing application called the *Virtual Operation Coordination Unit*. This tool facilitates the direct sharing of information to

track suspicious vehicles cross-border. The intercepted cargoes were scanned using X-rays or examined manually. This resulted in the discovery of multiple large shipments of illicit cigarettes that would have otherwise entered the EU.²⁹

Box 11. Four examples of technologies to share

1. Forensic analyses to detect illicit cigarettes

Under the *EU Hercule Anti-Fraud programmes*, the EU's Joint Research Centre (JRC) and OLAF have been cooperating on several projects.³⁰ Within this framework, the JRC has developed a method to discover the origin of the

tobacco used in the confiscated cigarettes and classify whether the cigarettes are contraband (genuine) or counterfeit, i.e., if the branding and labelling matches the cigarettes in the pack.

The method involves an analysis of trace elements through Energy Dispersive X-Ray Fluorescence

(ED-XRF). The information that is obtained can be used to discover the geographical origin of the tobacco used in the illicit cigarettes. Then carried out is another analysis (Gas Chromatography – Mass Spectrometry) on the volatile and semi-volatile compounds which yields information about the manufacturing process.

Besides the large variety of tobacco plants and manufacturing processes, cigarettes contain additives which result in a unique composition—i.e., flavour, aroma. The JRC is able to use its database to match the chemical ‘fingerprints’ of suspicious cigarettes obtained through the above-mentioned analyses in its special laboratory (TOBLAB).³¹

Currently, only a few EU MSs have the means to perform these tests.

2. ALICE – Assessing Labelling Inconsistencies to support Customs Enforcement agencies

ALICE is a searchable system, through app and website, providing information about legal requirements of the standard 20-cigarette packs in almost every country in the world, developed in 2017. ALICE allows a real-time assessment of the correspondence between the labelling of a cigarette pack and the requirements in the destination country to assist customs authorities in the detection of illicit-whites brands in transit. ALICE also makes it possible

to create and send an alert to the authorities of the destination country, making the sharing of information easier.³²

3. Data exchange network of X-ray control systems

In 2017, the Lithuanian company Information Technologies Application (INTA) developed a single data exchange network of X-ray control systems under the EU co-funded project *Development of single data exchange network of X-ray control systems used by the Customs authorities of the Baltic States*. The network connects X-ray control systems used by the customs authorities of Estonia, Latvia and Lithuania into a single network so as to combat smuggling more effectively and prevent other violations of customs legislation. The main partners of the project were the Customs of the Republic of Lithuania, the Latvian State Income Service and the Estonian Tax and Customs Service.³³

4. Blockchain technology

Blockchain technology is based on the creation of a distributed public

ledger of all transactions that have been shared among parties that belong to a given system (i.e., network). Every transaction that occurs within the ledger is verified and accepted by the majority of all parties belonging to the network. The technology makes every transaction and digital event easily verifiable and secure.

Two of the main principles that characterise blockchain are information integrity and distributed consensus, since every item of information is permanently stored and the system is immutable, and every transaction can be approved and verified by members of the system at any time. Blockchain is at the basis of Bitcoin—the world’s most famous cryptocurrency—and it has also been applied to very different sectors as banking, telco, real estate, insurance and retail.³⁴ The strengths of this technology can be important also in the case of cigarette smuggling, reducing the risk of counterfeiting and allowing consumers to check the characteristics of the product.³⁵

Box 12. EUBAM supports the dismantling of an illegal tobacco factory

At the beginning of December 2017, a joint effort by the Spanish Guardia Civil, Europol, EUBAM, the Ukrainian, Romanian, Bulgarian and Greek LEAs, and the Ukrainian State Border Guard Service, resulted in the dismantling of an illegal cigarette manufacturing factory in Granada, Spain. The factory had a capacity to produce more than

2 million illicit cigarettes per day. Eighteen OCG members were arrested. The OCG had spent approximately 3 million € to set up the factory. The people who manufactured the illicit cigarettes came from Bulgaria and Ukraine—they were exploited and in forced labour. Subsequently, following cooperation between the Ukrainian

customs agency and the Spanish Guardia Civil, eight raids were carried out in the cities of Malaga and Granada. Besides machinery, filters and paper, 4.5 million illicit cigarettes, about 4,000 kilograms of cut tobacco and 10,000 kilograms of tobacco leaves were seized.³⁶

Box 13. Expertise sharing at OLAF's Task Group Conference

The *Annual Task Group Cigarettes Conference*, organised by OLAF, is an example of initiatives to bring together tobacco issue experts

of MSs and third countries. Here, investigators, analysts, policy makers, LEAs and specialised agencies, among which Europol,

Interpol and the WCO, are assembled to exchange operational information for the fight against illegal cigarette smuggling.³⁷

► Investing in LEAs resources and training

To enable an effective response against the illicit trade in cigarettes, it is important to provide LEAs and regulatory bodies with the staff and necessary financial resources that they need, as well as equipment and technology.

Training and education

programmes for law enforcement could be useful in regard to recognising the different types of illicit cigarettes and staying updated on the more recent smuggling *modi operandi*. This **could increase the detection rate of illicit products** (see Box 14).

Box 14. Successful training activities

1. In 2017, the Lithuanian company Information technologies application (INTA) implemented the Project titled *Cargo scanners images analysis and threat objects recognition training*. The aim of the project was to develop training courses for the Lithuanian customs and border guard service regarding the efficient use of X-ray control systems implemented mainly to inspect cargo entering Lithuania from Belarus. The course incorporated 150 different smuggling scenarios and was

designed to teach customs personnel how to recognise tobacco, explosives, firearms, drugs, and persons concealed within containers.³⁸

2. Training events hosted by the SELEC. These include training courses, seminars and workshops for law enforcement officers of the SELEC Member States. These events are focused on improving the overall effectiveness of the fight against any type of transnational, serious and organised crime.³⁹

4. Socio-economic policies

► Harmonising regulations on FTZs

Since legislation and its enforcement differ from FTZ to FTZ,⁴⁰ **the implementation of harmonised and stronger controls in FTZs could help in tackling the illicit cigarette trade.**⁴¹ In particular, the WHO FCTC *Protocol to Eliminate Illicit Trade in Tobacco Products* contains provisions concerning controls of

the production and trade in tobacco products in FTZs. Under the WHO FCTC:

- shipping tobacco products in a container together with non-tobacco products is forbidden;
- any tobacco products or machinery for the manufacturing of tobacco products in transit at a FTZ has to be controlled.

► Improving the management of FTZs

Making an assessment of the FTZs and developing risk indicators to understand their importance in facilitating cigarette smuggling **is a first step towards the better management of FTZs.**

The main practical steps to improve the management of the FTZs are:⁴²

- reviewing procedures and systems for monitoring goods and for record-keeping requirements;
- ensuring that controls cover goods in transit;
- using intelligence and risk-based compliance controls supported by systematic sample checks to focus enforcement efforts on the riskier transactions within a FTZ;
- developing systems to exchange data with authorities in neighbouring countries and key trading partners;
- setting up a special task force to build expertise on illicit trade.

► **Allocation of taxes to social welfare**

Governments' revenues generated through the collection of cigarette taxes could be used to improve the overall welfare structures—in addition to intervening in the public health system.

This improvement could reduce the probability of people engaging in cigarette smuggling to cope with poverty and unemployment.

Improving welfare structure could discourage vulnerable people from engaging in cigarette smuggling

The revenues could be allocated to poverty reduction, providing essential services (e.g., safe water, electricity), health care, reducing unemployment—especially among youths—through education and training, and promoting social engagement.⁴³

Sound social welfare structures can act as a safety net for the poorest and most vulnerable people against external shocks that could cause an increase in poverty: sudden food price fluctuations, epidemics, extreme weather conditions, and economic crises.⁴⁴

► **Tracking and disrupting large-scale illicit cigarette facilities**

LEAs should track down and decommission large-scale illicit manufacturing facilities within the EU and in countries along the EU's external borders. LEAs should seize and destroy the illicit cigarettes and machinery detected in the raids.

All the legislations regarding manufacturing equipment should include provisions to reduce the risk that they may be used in illicit facilities, e.g., restricting their sale only to licensed manufacturers and constantly monitoring their movement on the national territory.⁴⁵

5. Culture-related policies

Public awareness campaigns could reduce the tolerance of cigarette-related illicit behaviours

► **Promoting public awareness campaigns**

Public campaigns can tackle the social tolerance of purchasing illicit cigarettes. By effectively reducing the demand, the supply will also be affected. Awareness campaigns could also target the engagement in trafficking activities (see Box 15). These public campaigns should

sensitise consumers in different ways:

- stressing the connection between cigarette smuggling and OCGs. Consumers should become more aware that purchasing illicit cigarettes is a way to increase the revenues of OCGs. These revenues fund and enable other serious criminal activities, like trafficking in

- firearms, drug and humans (see Box 16);⁴⁶
- pointing out that cigarette smuggling limits public funds. Buying illicit cigarettes results in less government funds to use to develop new public services or improve services already available;⁴⁷
 - emphasising that fighting against cigarette smuggling entails a higher workload for LEAs, preventing them from combatting more serious crimes;⁴⁸
 - underlining that illicit cigarettes may target young people. Having the chance to acquire cheaper cigarettes makes it easier for minors to smoke;
 - informing the public about the legal repercussions of participating in cigarette smuggling. Both people demanding and supplying illicit cigarettes feed the crime;
 - explaining to the public the risks connected with smoking cigarettes whose manufacturing does not meet foreseen quality standards (see Box 17).

Box 15. The United Kingdom pools its resources against illegal tobacco

In 2017, the London Council and London Trading Standards (LTS) led an awareness campaign against illegal tobacco in London. 22 of London's local authority districts (boroughs) took part in the campaign, which was backed by Public Health England and the London Association of Directors of Public Health. The campaign included visits to various locations within London to talk to people about the negative effects of the illicit trade in tobacco products. This was done by showcasing the special tobacco sniffer dogs in

order to engage with the public. Specific information was also given on how to spot illicit cigarettes, and people were encouraged to report any suspicions relating to illicit tobacco products via a helpline or the LTS's anonymous online reporting tool. As a consequence of this campaign, 11 boroughs in London were raided and around 21,000 illicit tobacco products were confiscated.⁴⁹

Another effort against illegal tobacco in England was the *North of England tackling Illegal tobacco*

for Better Health programme launched in 2009 to reduce both the supply of and demand for illicit tobacco. Here, the launch of the website *keep-it-out.co.uk* was part of a multi-agency campaign by the British HM Revenue and Customs, police, health partners and Trading Standards. The aim was to protect children from smoking and encourage people to report cases of illicit consumption and smuggling activities. This public awareness campaign has resulted in numerous seizures of illicit cigarettes by the British authorities.⁵⁰

Box 16. Public perception of illicit tobacco trade survey

In 2016, almost 28,000 respondents from 28 EU MSs participated in an OLAF administered survey aimed at assessing the public opinion

about and stance on the illicit cigarette trade. Almost 70% of the respondents believed drugs to be the number one source of OCGs' revenues. In contrast, only 14% of

the respondents thought that the trade in illicit cigarettes was OCGs' primary means to acquire funds. Low prices were pointed to as the main motive for the consumption of illicit cigarettes.⁵¹

Box 17. A study on the quality of illicit cigarettes

In 2016, a research group from the Department of Sciences at John Jay College of Criminal Justice in New York presented the results of a study on the elemental profile of tobacco used in illicit cigarettes to assess the health impact.

They specifically investigated the potential toxic effects of cadmium, a metal that the tobacco plant absorbs from the soil. After analysing 46 counterfeit

samples and six genuine samples, the researchers found that the counterfeit cigarettes were more noxious than genuine ones.⁵²

6. Crime reduction policies

Fighting against money laundering, terrorism financing and corruption could reduce cigarette trafficking

► Preventing illicit cigarette profits from entering the legal economy

Each country should take measures to prevent illicit profits generated mainly by OCGs through the illicit trade in cigarettes entering the legal economy (see Box 18). In particular, the countries should assess the risks, draft suitable policies, invest institutions with the appropriate powers (LEAs, regulators), install protective and preventive measures,

improve transparency, assist in facilitating collaboration on an international level.⁵³

To support countries, the Financial Action Task Force (FATF) has developed 40 recommendations on money laundering. These recommendations have become the international anti-money laundering standard with the endorsement of more than 180 states.⁵⁴

Box 18. LEAs break up an OCG involved in cigarette smuggling and money laundering

In February 2017, 3 members of an OCG, suspected of cigarette smuggling and money laundering, were placed under arrest as a result of collaboration among the Dutch Anti-Fraud Agency, the German and British LEAs, Interpol, and customs authorities. Raids were simultaneously carried out in the Netherlands in Houten,

Baarn, Vianen and Beesd, and in the United Kingdom in Stoke on Trent. The Dutch authorities seized several vehicles, money, administrative records, and real estate. Their British counterparts took possession of electronic devices—mobile phones—and administrative records. A fourth member of the OCG was arrested

in the United Kingdom in July. The *modus operandi* of the OCG involved loading the illicit cigarettes on trucks in Germany, where they were concealed under shipments of biscuits and toast, and transported via the Netherlands to the United Kingdom. At least 6 of these transports took place between 2015 and 2016.⁵⁵

► Preventing cigarette smuggling from financing terrorist groups

Providing or collecting funds for terrorist groups is a criminal offence. The *United Nations Convention for the Suppression of the Financing of Terrorism* can be used by states

to facilitate collaboration on an international level against the illicit trade in cigarettes. **Actors involved in the trafficking of illicit cigarettes can be prosecuted if this supply of cigarettes ends up facilitating (financing) terrorist groups.**⁵⁶

The FATF has developed nine recommendations on combatting terrorist financing.⁵⁷ The key is to deprive the terrorists of the ability to generate capital, launder this money and use it in their international operations.⁵⁸

► **Enhancing and implementing existing anti-corruption strategies**

At a regional level, there are several treaties, agreements and conventions on combatting corruption.

Within the multilateral framework, there are **two UN Conventions that can be used by countries to combat the trade in illicit cigarettes:**

- the *United Nations Convention against Transnational Organized Crime* (UNTOC);
- the *United Nations Convention against Corruption* (UNCAC).

Both the UNCAC and UNTOC provide a support structure relating to the investigation and prosecution of corruption and transnational crime, mutual legal assistance and agreements on extradition.⁵⁹

The UNCAC defines corruption in broader terms compared to the UNTOC, which mainly deals with bribery of public officials. Unlike the UNTOC, the UNCAC can be

used by states to start proceedings against individuals irrespective of their membership of an OCG.⁶⁰

- The accompanying Legislative Guides offer guidance to policy and lawmakers on preparation for the ratification and implementation of these UN Conventions.
- Interpol provides a brief overview of the corruption-related elements within these instruments.⁶¹
- The UNODC supports countries in implementing these Conventions by providing expertise in corruption prevention, fair criminal justice systems, international cooperation, and education.⁶²

The World Bank stresses the need for a **partnership among government, the business sector, citizens and civil society in the fight against corruption**. This requires capitalizing on the latest technology to analyse and share data to uncover or prevent corrupt practices. Within the anti-corruption framework, the World Bank has launched several **regional**

and global campaigns that can be useful also to tackle corruption in cigarette smuggling, among which:

- setting up several international transparency standards, and providing assistance to countries in their implementation;
- assisting countries in the identification, through national risk analyses, of illicit flows—and advising the countries on how to tackle them.⁶³

The fight against corruption is of key importance in reducing transnational illicit traffics

Glossary

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

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.⁶⁴

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.⁶⁵

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

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.⁶⁶

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.

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.

End notes

1. World Bank, "Aid That Works - Successful Development in Fragile States" (The World Bank, 2007), <https://openknowledge.worldbank.org/bitstream/e/10986/6636/379590REVISED01OFFICIAL0USE0ONLY1.pdf?sequence=1&isAllowed=y>.
2. World Bank.
3. Nenad Zakoek, "Democratization, State-Building and War: The Cases of Serbia and Croatia," 2008, <https://gsdrc.org/document-library/democratization-state-building-and-war-the-cases-of-serbia-and-croatia/>.
4. Lana Pasic, "Democracy, 25 Years after Yugoslavia," *OpenDemocracy*, April 3, 2016, <https://www.opendemocracy.net/en/can-europe-make-it/democracy-25-years-after-yugoslavia/>.
5. Patricia R. Loubeau, "Selected Aspects of Tobacco Control in Croatia" (Zagreb, 2009), <https://cejph.szu.cz/pdfs/cjp/2009/01/12.pdf>.
6. Zbigniew. Lentowicz, "The War on Cigarette Smuggling," *VoxEurop*, January 21, 2010, <https://voxeurop.eu/en/content/article/174211-war-cigarette-smuggling>.
7. Francesco Calderoni, Alberto Aziani, and Serena Favarin, "Poland. The Factbook on the Illicit Trade in Tobacco Products 4.," *The Factbook* (Trento, Italy: Transcrime - Università degli Studi di Trento, 2013), <http://www.transcrime.it/pubblicazioni/the-factbook-on-the-illicit-trade-in-tobacco-products-4-poland/>.
8. KPMG, "Project SUN. A Study of the Illicit Cigarette Market in the European Union, Norway and Switzerland 2016 Results," 2017.
9. Council of the European Union, "Council Directive 2011/64/EU of 21 June 2011 on the Structure and Rates of Excise Duty Applied to Manufactured Tobacco" (2011).
10. European Commission, "Excise Duties on Tobacco," Text, Taxation and Customs Union - European Commission, September 13, 2016, https://ec.europa.eu/taxation_customs/business/excise-duties-alcohol-tobacco-energy/excise-duties-tobacco_en; Evan Blecher, Michal Stoklosa, and Ross Hana, "Cigarette Tax Harmonization in EU," 2018, http://untobaccocontrol.org/kh/taxation/wp-content/uploads/sites/3/2018/01/ETCP-policy-brief-template_Blecher.pdf; EUR-Lex, "Excise Duty on Manufactured Tobacco," November 14, 2017, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=legissum%3Afi0009>.
11. European Commission, "Excise Duties Table - Part III Manufactured Tobacco," Text, 2018, https://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/excise_duties/tobacco_products/rates/excise_duties-part_iii_tobacco_en.pdf.
12. European Commission, "Report from the Commission to the Council on Directive 2011/64/EU on the Structure and Rates of Excise Duty Applied to Manufactured Tobacco" (Brussels, Belgium: European Commission, December 1, 2018), https://ec.europa.eu/taxation_customs/sites/taxation/files/report_excise_duty_manufactured_tobacco_12012018_en.pdf.
13. European Commission, "Excise Duties on Tobacco."
14. Robert Barr and Ken Pease, "Crime Placement, Displacement, and Deflection," *Crime and Justice* 12 (January 1, 1990): 277–318, <https://doi.org/10.1086/449167>.
15. WHO, "Tobacco Taxes to Increase in Ukraine in the Coming 7 Years," December 27, 2017, <http://www.euro.who.int/en/health-topics/disease-prevention/tobacco/news/news/2017/12/tobacco-taxes-to-increase-in-ukraine-in-the-coming-7-years>; WHO.

16. Katie Furtick, Candice Malcolm, and Anthony Randazzo, "The Effect of Cigarette Tax Rates on Illicit Trade: Lessons Learned in Canada," January 2014, [https://www.taxpayer.com/media/The%20Effect%20of%20Cigarette%20Tax%20Rates%20on%20Illicit%20Trade-%20Lessons%20Learned%20in%20Canada\(1\).pdf](https://www.taxpayer.com/media/The%20Effect%20of%20Cigarette%20Tax%20Rates%20on%20Illicit%20Trade-%20Lessons%20Learned%20in%20Canada(1).pdf); Mark A. R. Kleiman, Jonathan Kulick, and James E. Prieger, "Unintended Consequences of Cigarette Taxation and Regulation" 46 (April 13, 2016): 69–85; Jie-Min Lee et al., "Price Sensitivity and Smoking Smuggled Cigarettes," *European Journal of Public Health* 19, no. 1 (January 2009): 23–27, <https://doi.org/10.1093/eurpub/ckn115>.
17. European Commission, "European Commission Report: No Tax on Vapor Products at This Time," January 18, 2018, https://vaporproductstax.com/wp-content/uploads/2018/01/EC-report_excise_duty_manufactured_tobacco_12012018_en.pdf.
18. European Commission; Government of Lithuania, "Excise Duty Amendments to Article IX, 569, Articles 1, 2, 3, 30, 31, II and III: Key Amendments to Excise Law Affecting Taxation of Vapour Products," Pub. L. No. XIII–1327 (2018), <https://vaporproductstax.com/wp-content/uploads/2019/03/Lithuania-amendments-taxing-vapor-products-English-version.pdf>; Republic of Estonia, Tax and Customs Board, "Rates of Excise Duty," November 22, 2018, <https://www.emta.ee/eng/business-client/excise-duties-assets-gambling/about-excise-duties/rates-excise-duty>.
19. Philip Gambaccini, "Taxing Heated Tobacco in Europe and Beyond," *Tax Notes International* 92, no. 5 (October 29, 2018): 507–11.
20. Luk Joossens and Martin Raw, "Cigarette Smuggling in Europe: Who Really Benefits?," *Tobacco Control* 7, no. 1 (1998): 66–71, <https://doi.org/10.1136/tc.7.1.66>.
21. János Nagy, "Tackling Cigarette Smuggling with Enforcement: Case Studies Reviewing the Experience in Hungary, Romania and the United Kingdom," *University of Canberra* 6, no. 2 (October 2012): 29–39.
22. WHO, "Tobacco," September 3, 2018, <https://www.who.int/newsroom/fact-sheets/detail/tobacco>; WHO, "WHO Framework Convention on Tobacco Control," 2003, <http://www.who.int/fctc/cop/about/en/>; WHO, "Protocol to Eliminate Illicit Trade in Tobacco Products" (2018), <http://www.who.int/fctc/protocol/en/>.
23. WHO, Protocol to Eliminate Illicit Trade in Tobacco Products.
24. European Commission, "Revision of the Tobacco Products Directive," Text, Public Health - European Commission, November 25, 2016, https://ec.europa.eu/health/tobacco/products/revision_en.
25. Vincent Draguet, "Systems for Tobacco Traceability and Security Features," Text, Public Health - European Commission, December 7, 2017, https://ec.europa.eu/health/tobacco/tracking_tracing_system_en.
26. René Moerland, "In drie minuten container scannen [Scanning a container in three minutes]," NRC, June 26, 2000, <https://www.nrc.nl/nieuws/2000/06/26/in-drie-minuten-container-scannen-7500124-a964574>.
27. Douane - Belastingdienst, "Een Scherpe Kijk Op Scan En Detectie [A Sharp Look at Scan and Detection]," *Douane InZicht*, 2017, <https://douane-inzicht.nl/article/313408034>.
28. C-BORD, "Project Overview," Effective Container Inspection at BORDer Control Points, 2019, <https://www.cbord-h2020.eu/page/en/project-overview.php>.
29. EUBAM, "Real-Time Intelligence Exchange Leads to Seizure of Seven Million Cigarettes at EU External Border," *European Union External Action*, October 22, 2018, <http://eubam.org/newsroom/real-time-intelligence-exchange-leads-to-seizure-of-seven-million-cigarettes-at-eu-external-border/>.
30. European Commission, "Annex to the Commission Decision Concerning the Adoption of the Annual Work Programme and the Financing of the Hercule III Programme in 2018" (Brussels, Belgium: European Commission, March 28, 2018).
31. Timo Lange, "A New Method to Detect Fake Cigarettes," Text, EU Science Hub - European Commission, February 28, 2019, <https://ec.europa.eu/jrc/en/news/new-method-detect-fake-cigarettes>.
32. Crime&Tech, "The ALICE System," Alice - Assessing Labelling Inconsistencies to support Customs Enforcement agencies, accessed March 21, 2019, <https://alice.crimetech.it/site/main.php?>
33. INTA, "X-Ray Inspection Systems," INTA - Information Technologies Application, 2019, <http://inta.lt/en/project/xray/>.
34. Ye Guo and Chen Liang, "Blockchain Application and Outlook in the Banking Industry," *Financial Innovation* 2, no. 1

- (December 9, 2016): 24, <https://doi.org/10.1186/s40854-016-0034-9>; M. Mettler, "Blockchain Technology in Healthcare: The Revolution Starts Here," in 2016 IEEE 18th International Conference on E-Health Networking, Applications and Services (Healthcom), 2016, 1–3, <https://doi.org/10.1109/HealthCom.2016.7749510>; William Mougayar, Christopher Grove, and Vitalik Buterin, *The Business Blockchain: Promise, Practice, and Application of the Next Internet Technology*, Unabridged edition (getAbstract, 2016).
35. Reply, "Applicazioni blockchain per i settore RETAIL," Reply, accessed March 21, 2019, <https://www.reply.com/it/content/retail>.
36. EUBAM, "EUBAM Supported the Breaking up of an Illegal Tobacco Factory – EUBAM," European Union External Action, August 12, 2017, <http://eubam.org/newsroom/eubam-supported-the-breaking-up-of-an-illegal-tobacco-factory/>; Jason Murdock, "Gang with Illegal Factory Made Two Million Cigarettes a Day – and Even Had Its Own Brand," *International Business Times UK*, December 6, 2017, <https://www.ibtimes.co.uk/gang-illegal-factory-made-two-million-cigarettes-day-even-had-its-own-brand-1650474>.
37. OLAF, "20th Task Group Cigarettes Conference," October 22, 2015; Amalia Nitu and Cristian-Paul Matei, "Trends of Tobacco Products Smuggling at the European Union Level," *Journal of Criminal Investigations*; Bucharest 7, no. 1 (2014): 39–43.
38. INTA, "X-Ray Control Systems Trainings," INTA - Information Technologies Application, 2019, <http://inta.lt/en/project/training/>.
39. SELEC, "Trainings," Southeast European Law Enforcement Center, 2019, <https://www.selec.org/trainings/>; SELEC, "About SELEC," SELEC, Southeast European Law Enforcement Center, 2019, <https://www.selec.org/about-selec/>.
40. Interpol, "Countering Illicit Trade in Tobacco Products," *Legal Handbook Series* (Lyon: Interpol, 2014), <https://www.interpol.int/News-and-media/Publications2/Guides-manuals/Countering-Illicit-Trade-in-Tobacco-Products-A-guide-for-Policy-Makers-June-2014>.
41. Interpol.
42. OECD, "ITIC Toolkit to Reduce the Use of Free Trade Zones for Illicit Trade in Tobacco Products" (OECD, March 16, 2017), [http://www.oecd.org/officialdocuments/displaydocumentpdf/?cote=GOV/PGC/HLRF/TFCIT/RD\(2017\)4&docLanguage=En](http://www.oecd.org/officialdocuments/displaydocumentpdf/?cote=GOV/PGC/HLRF/TFCIT/RD(2017)4&docLanguage=En).
43. Finn Yrjar Denstad, "Youth Policy Manual How to Develop a National Youth Strategy" (Strasbourg: Council of Europe, September 2009), https://pjp-eu.coe.int/documents/1017981/7110707/YP_Manual_pub.pdf/7b17e1e6-e8b6-4041-902e-3b3ad0973c45; World Bank, "Taxing Tobacco: A Win-Win for Public Health Outcomes and Mobilizing Domestic Resources," World Bank, March 30, 2018, <http://www.worldbank.org/en/topic/tobacco/brief/taxing-tobacco-a-win-win-for-public-health-outcomes-mobilizing-domestic-resources>.
44. World Bank, "Poverty - Strategy," World Bank, September 24, 2018, <http://www.worldbank.org/en/topic/poverty/overview#2>.
45. Jeff Sweeting, Teela Johnson, and Robert Schwartz, *Anti-Contraband Policy Measures: Evidence for Better Practice*, Special Report Series (Toronto: ON: The Ontario Tobacco Research Unit, 2009), https://www.otru.org/wp-content/uploads/2012/06/special_anti_contraband_measures.pdf; Interpol, *Countering Illicit Trade in Tobacco Products - A Guide for Policy-Makers*, Legal Handbook Series (Interpol, 2014).
46. Louise I. Shelley and Sharon A. Melzer, "The Nexus of Organized Crime and Terrorism: Two Case Studies in Cigarette Smuggling," *International Journal of Comparative and Applied Criminal Justice* 32, no. 1 (2008): 43–63, <https://doi.org/10.1080/01924036.2008.9678777>.
47. OLAF, "Public Perception of Illicit Tobacco Trade," European Anti-Fraud Office - European Commission, July 15, 2016, https://ec.europa.eu/anti-fraud/public-perception-illicit-tobacco-trade_en.
48. Kleiman, Kulick, and Priege, "Unintended Consequences of Cigarette Taxation and Regulation."
49. London Trading Standards, "Illegal Tobacco Campaign 2018 - London Unites against Illegal Tobacco," 2018, <http://www.londontradingstandards.org.uk/campaigns/illegal-tobacco-campaign/>.
50. Newcastle City Council, "Smoke Free Newcastle: Illegal Tobacco," February 22, 2019, <https://www.newcastle.gov.uk/business/trading-standards/campaigns/smoke-free-newcastle-illegal-tobacco>.
51. OLAF, "Public Perception of Illicit Tobacco Trade."

52. Anna Spiewak, "Why Counterfeit Cigarettes Are More Harmful," The City University of New York, January 4, 2016, <http://www1.cuny.edu/mu/forum/2016/04/01/why-counterfeit-cigarettes-are-more-harmful/>.
53. FATF, "International Standards On Combating Money Laundering And The Financing Of Terrorism & Proliferation" (Paris, France: FATF, 2018 2012), <http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>.
54. FATF.
55. FIOD - Belasting Dienst, "FIOD legt beslag op onroerend goed in verband met sigarettensmokkel en witwassen [FIOD seizes property related to cigarette smuggling and money laundering]," FIOD, February 13, 2017, <https://www.fiod.nl/fiod-legt-beslag-op-onroerend-goed-in-verband-met-sigarettensmokkel-en-witwassen/>.
56. Interpol, "Countering Illicit Trade in Tobacco Products."
57. FATF, "IX Special Recommendations," The Financial Action Task Force, accessed March 21, 2019, <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/ixspecialrecommendations.html>.
58. Matthew Levitt, "Hezbollah Finances: Funding the Party of God," The Washington Institute, February 2005, <https://www.washingtoninstitute.org/policy-analysis/view/hezbollah-finances-funding-the-party-of-god>.
59. The United States Department of Justice, "Overview of the Law Enforcement Strategy to Combat International Organized Crime" (The United States Department of Justice, August 31, 2011), <https://www.justice.gov/sites/default/files/criminal-ocgs/legacy/2011/08/31/08-30-11-toc-strategy.pdf>.
60. Interpol, "Countering Illicit Trade in Tobacco Products."
61. Interpol.
62. UNODC, "UNODC's Action against Corruption and Economic Crime," UNODC, 2019, <https://www.unodc.org/unodc/en/corruption/index.html?ref=menuside>.
63. World Bank, "Combating Corruption," World Bank, October 4, 2018, <http://www.worldbank.org/en/topic/governance/brief/anti-corruption>.
64. Joossens e Raw, «From Cigarette Smuggling to Illicit Tobacco Trade», 230–31; Allen, «The Illicit Trade in Tobacco Products and How to Tackle It. 2nd ed.», 6; KPMG, «Project SUN: A Study of the Illicit Cigarette Market in the European Union, Norway and Switzerland 2016 Results», 3.
65. Joossens e Raw, «From Cigarette Smuggling to Illicit Tobacco Trade», 231; Allen, «The Illicit Trade in Tobacco Products and How to Tackle It. 2nd ed.», 7; KPMG, «Project SUN: A Study of the Illicit Cigarette Market in the European Union, Norway and Switzerland 2016 Results», 3.
66. Joossens and Raw, "From Cigarette Smuggling to Illicit Tobacco Trade"; KPMG, "Project SUN. A Study of the Illicit Cigarette Market in the European Union, Norway and Switzerland. 2016 Results."

