



Smoke and Mirrors

Empirical research into the illegal trade in tobacco products in Europe

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- The organization of illegal production
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- Vending illegal cigarettes
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About this research

- *How is the illegal tobacco trade in Europe organised and how does law enforcement praxis in different EU countries impact on this trade?*

Selection of countries:

Belgium, Germany, The Netherlands

Poland, Latvia, Italy



Qualitative research

- 'Multi-sited' ethnography ('follow the product')
- 'Instant' ethnographic approach: observing illegal vending, participating/observing the raid of a shisha bar by customs officers (at the precise moment these events took place).
- Virtual ethnography (audio/video recording; using VR camera to look into a dismantled factory)
- Interviews: 50 respondents (Europol, national law enforcement agencies, tax authorities, public prosecution offices, private detectives, experts from cigarette producing companies (e.g. PMI, JTI and BAT), smugglers, etc.



Quantitative research

- Confiscations between 2013-2017 in all 6 countries (more than 600 thousand seizures ($N = 609,280$) of cigarettes and tobacco.
- The data variables include confiscation incidents by: quantity, date of entry, importing/exporting country, source country, transport type, offence, concealment method, detection (customs' documentary checks, intelligence/ investigation, random control, routine, targeting, tip-off, other, unknown), nationality, and fine.

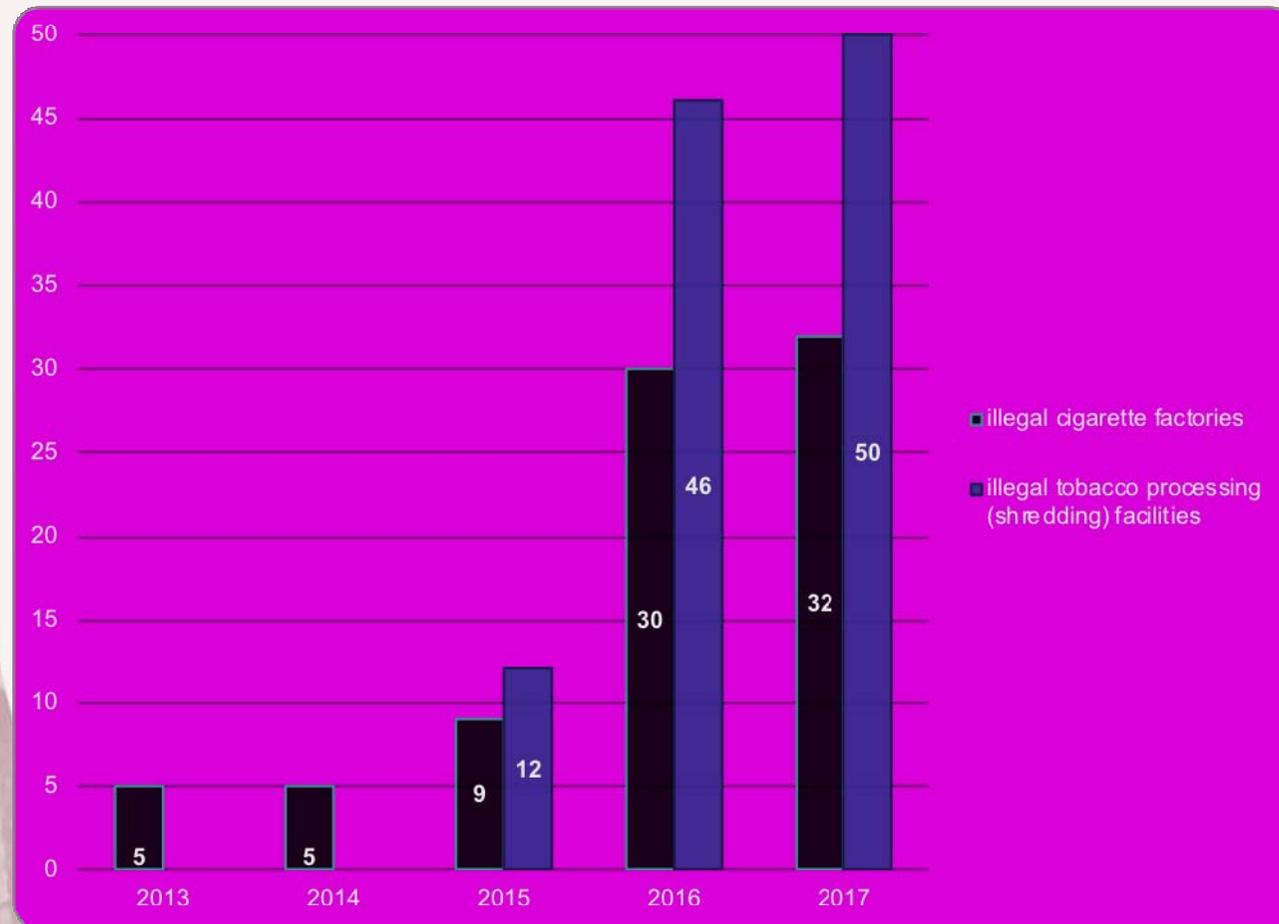


Illegal production

- ❖ In the Netherlands 14 dismantled illegal factories in 2018 (Tax and Customs administration 2019). Between 2016 - 2019 FIOD -18 illegal factories.
- ❖ In Belgium 2-3 illegal factories are dismantled every year
- ❖ In Latvia 2 dismantled in 2017 and 2 in 2018.
- ❖ Italy and Germany have remarkably less dismantled illegal factories (1-2 some years ago but no recent ones)
- ❖ Poland has dismantled (and continuously does so) an absolute record of illegal factories in recent years: about 30 illegal factories every year (since 4 years ago).



Raided illicit factories in Poland between 2013-2017





Case Overvecht, Utrecht

- <https://www.rtvutrecht.nl/nieuws/1630335/illegale-sigarettenfabriek-overvecht-bijna-een-jaar-geobserveerd.html>





Production

- ❖ Multinational, flexible network business in which specialised actors have specific roles
- ❖ The leaders are usually local criminal actors, who have good contacts in both the legal and illegal world
- ❖ Also well organised, transnationally operating criminal groups with a migration history in different EU countries (Polish, Baltic and Russian OC groups)
- ❖ Technicians (from Bulgaria, Romania, Ukraine or Russia), who 'activate' the production
- ❖ Front (or straw) men (warehouses or companies on their name without being involved in the illegal production)
- ❖ Workers



Smuggling

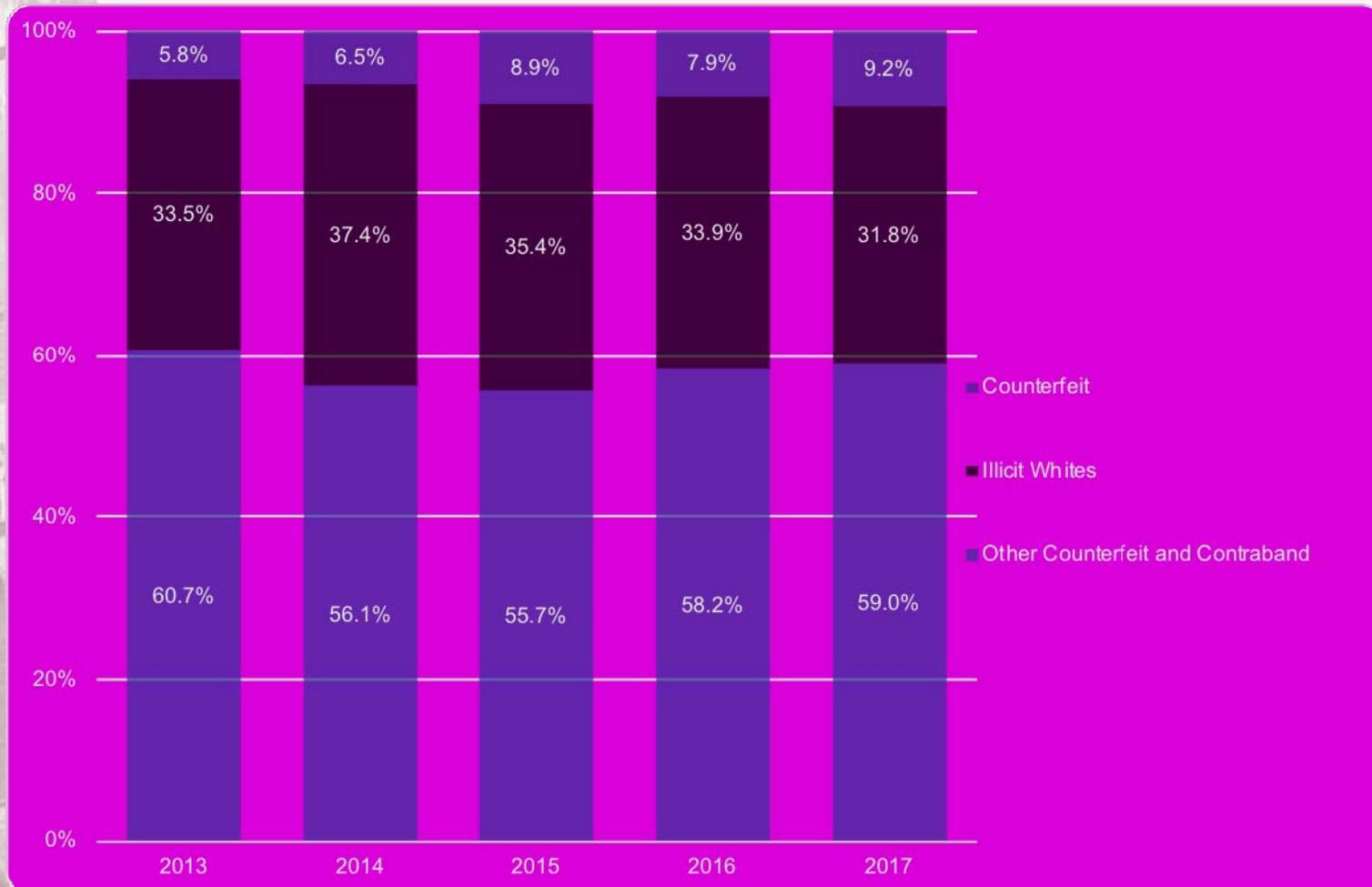
❖ *What is smuggled?*

Cheap whites, counterfeits, and genuine brands cigarettes





Counterfeit, illicit whites and other contraband cigarettes in Europe between 2013-2017 (KPMG 2019)





Illicit whites, counterfeit and other counterfeit and contraband cigarettes in 2017

Country	Illicit whites	Counterfeit	Other
Belgium	3.9%	10.7%	85.4%
Germany	9.3%	18.8%	72.0%
Italy	60.6%	7.3%	32.1%
Latvia	71.3%	7.7%	21.0%
Netherlands	5.1%	4.6%	90.3%
Poland	52.7%	12.7%	34.6%



‘There is very significant price difference, especially with Belarus. Belarusian packs, like completely legal on the market [in Belarus], are 43 cents while in Latvia it is like three euros. So of course for criminals there is a huge incentive to bring the products.’ (I2/LAT)

‘Regina was actually an imitation of Diana, which was not produced any longer, but very popular in Italy. Now Regina looks very similar, the same kind of a crown on the package, only the name is different’. (I18/IT)

‘Jin Ling became very popular. First in Poland, Germany, Belgium, Netherlands, wherever you wish. (...) Within a few years the brand became famous. Recognizable for customers in Western Europe. Immediately, other producers started counterfeiting it.’ (I11/PO)



'Ant-smuggling' at the borders of the EU: small and medium-scale contraband

'Ukrainians, who live in Naples are smuggling Ukrainian cigarettes for their compatriots, because they are used to them, they like the taste. They do not bring big portions, only for own consumption' (I16/IT).

'They stuff cars with cigarettes. In seats, bumpers. But they have very old cars. So they use such racks for cases. (...) The cigarettes are more valuable than the car itself. (...) Quite often we seized when the tires were filled with cigarettes.' (I11/PO)



Large scale smuggling organisations

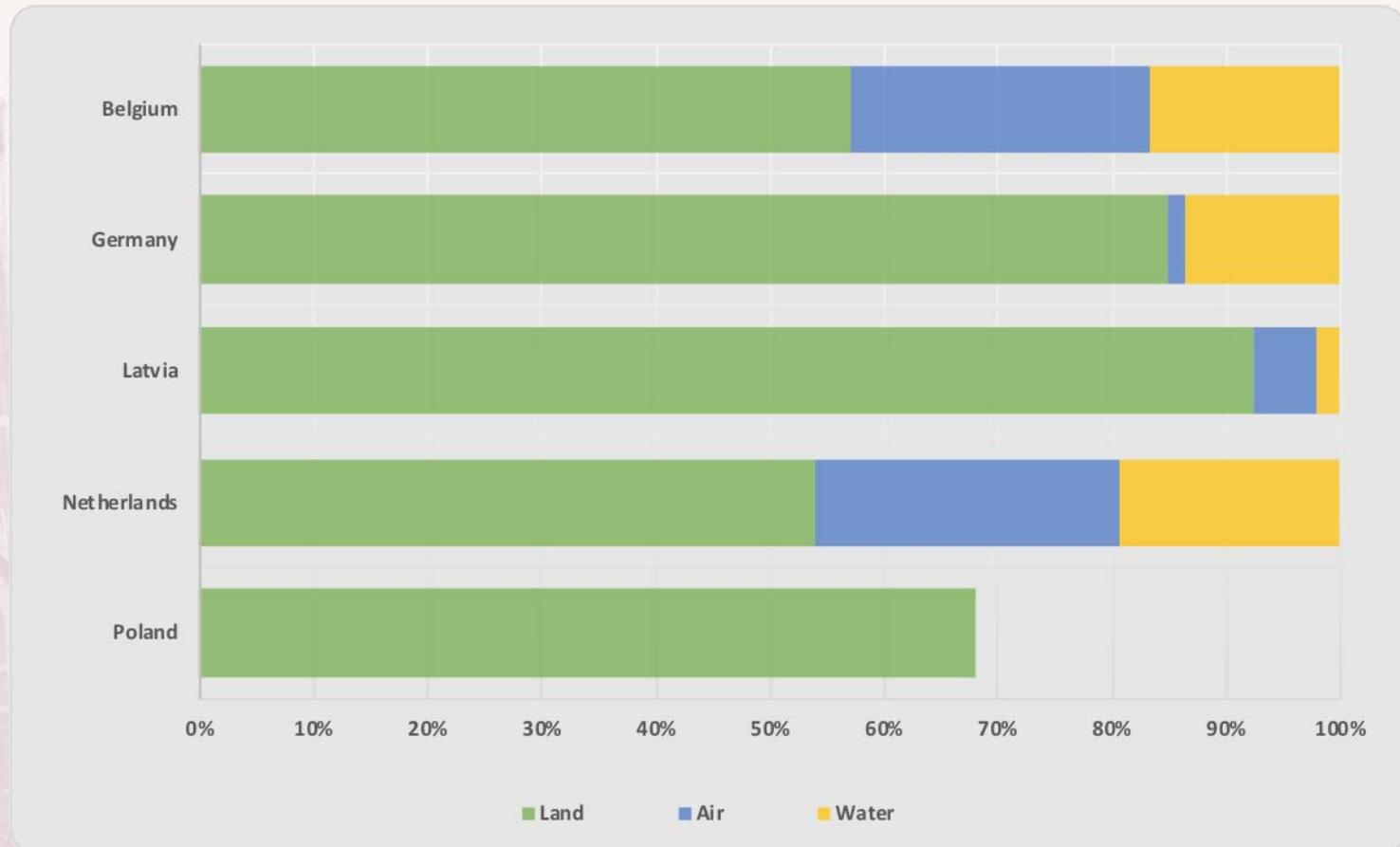
Smuggling organizations operate like legitimate businesses: task division (storage, distribution, administration, logistic actors, drivers, couriers, security); transportation in and outside of the EU.

'Nowadays, criminals know how we work. Lawyers pass information about our tactics around to their clients, even information they are not allowed to share. We know that from wiretapping.. some criminals said their lawyers gave them this information' (I34/GE).

'Money laundering is taking place through the legal businesses, such as legal tobacco shops. As an example: one family is running legal and illegal businesses, including cigarettes, but also other counterfeit goods. In Naples, in one area one specific Camorra family (who) is controlling all trade activities. And this is not unique for Naples' (I18/IT).



Percentage of cigarette seizures by transport routes in 2017





Map Smuggling routes and average prices for a pack of cigarettes (20 sticks) in 2017





Vending illegal cigarettes

- ❖ Modus operandi of cigarette vending at public markets: universal praxis?

'There are a lot of retired people on the central market and in the residential districts of Riga. I knew such people. The granny is sitting, there is a bag nearby. She has a pack of cigarettes in hands. When the buyer approaches, she sells cigarettes, when the police officer approaches: 'I do not know whose bag it is.' (I6/LAT)





Vending on internet

'By internet, it is the same method as supplying drugs. When the postman knows the address he delivers. You order by e-mail or internet and the courier or postman knows that this is your address... The official shops just sell cigarettes [via the internet]. When you search Minsk cigarettes, you find plenty of offers. They are very cautious: "I sell original but cheap cigarettes, only regional." Marlboro for one euro per pack.. very cheap. You can pay.. even [by] bitcoin. It's from Ukraine, they are original. Because in Ukraine they got the factories. They produce the stuff legally... But if you see one euro per pack, it is delivered to Poland at your place and it's not a problem... but it's suspicious! They all claim it is original and legal.' (I11/PO)



Obstacles for law enforcement

- ❖ *A one-dimensional focus on confiscating illegal goods is counterproductive in tracking down on organised criminal networks.*
- ❖ *In the second place, inter-agency rivalries hindering the dismantling of illegal factories or smuggle networks.*
- ❖ *Thirdly, legal voids or barriers and practical obstacles are reported to frustrate an effective response.*
- ❖ *Fourth, insufficient knowledge on new developments*



Conclusions

- ❖ Since about 2004 *illegal cigarette factories increasingly appear in West European countries*
- ❖ Distributing and vending illegal cigarettes through *internet and postal order services*
- ❖ a shift from a whole line of illegal cigarette production being concentrated in one factory to a *fragmented and specialised production process* (in which one factory takes care of cutting and refining raw tobacco, another makes the cigarettes, and still another packs and stores)



Conclusions

- ❖ *A continuous changing of transport routes*
- ❖ *Free trade zones, for example, were mentioned as havens for relatively uncontrolled up- and offloading, storing, changing cargo labels et cetera, 'smuggling cargo in plain sight' with an impression of legitimacy.*
- ❖ *Organised smuggling is a professionalised business, with actors acquiring and learning from information on existing laws and regulations, and law enforcement habits and practices, and adapting their practices to confuse and frustrate law enforcement activities.*



Questions?

