

Smuggled and Counterfeit Products Economy in Turkey: What do we know

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Illicit Trade of Tobacco Products Along the Balkan Route: Institutional and Governance Gaps

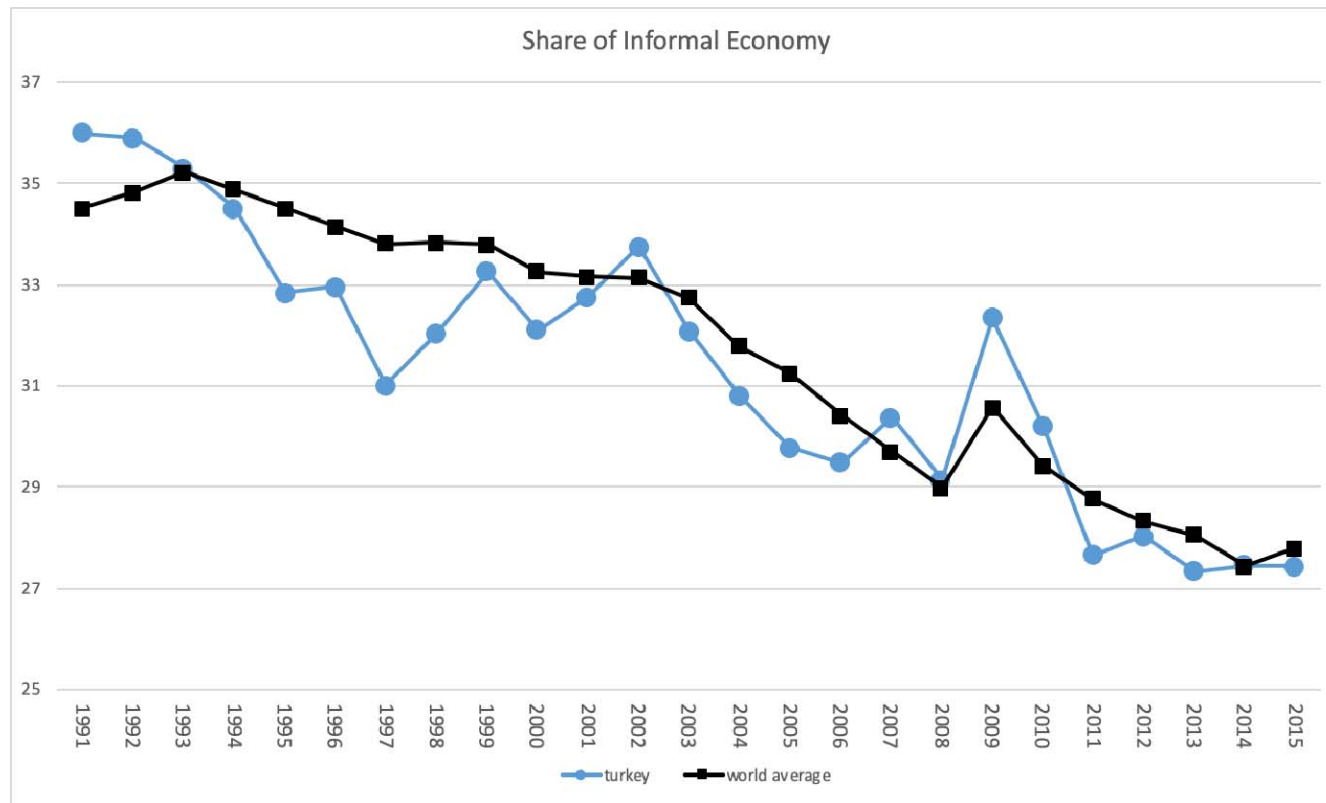
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Center for the Study of Democracy

Illegal trade in Turkey

- There is a considerable amount of illegal trade volume in Turkey.
- As a result, the loss of tax revenue for the government is reaching greater amounts.
- Such illegal trade may have fatal consequences on human life.

Share of Informal Economy (% of GDP)



Counterfeit and smuggled products are widely consumed in Turkey...

- 2 August 2019, Balıkesir: A coach bus caught on fire. Prime suspect of continuous coach fires is an illegal type of oil so called “Oil No. 10”.
- 19 August 2019, Adana: 3 tonnes and 280 litres of ethyl alcohol, 432 bottles at various volumes and 90 litres of counterfeit alcohol were captured.
- 20 July- 6 August, Istanbul: 1,401 bottles of smuggled and counterfeit alcohol, 10,264 empty bottles, 6 tons and 670 litres of methyl alcohol were captured in Istanbul.
- July 11, 2019, Istanbul: 4,146 telephones, a labelling machine used in copying IMEI, 126 mobile phone screens, 230 batteries, 655 mobile phones, various materials were captured.
- 19 August 2019, Kahramanmaraş and Elazığ: 5.800 and 3.200 packets of smuggled cigarette were captured.

... with serious consequences

- According to news, 23 persons have passed away due to methyl alcohol intoxication in Mersin, Niğde and Osmaniye in July, 2019.
- 4 adults and 1 child have passed away and 15 people were wounded during the fire on a coach in Balıkesir.

Betam's PMI IMPACT project

- Betam with the support of PMI IMPACT, aims to analyse the multidimensional problem of illegal trade in Turkey
- Our project started at 1 March 2019 and will last 24 months. We will analyse illegal trade of
 - smuggled and counterfeit cigarettes; unregistered tobacco trade
 - smuggled fuel and derivatives; illegally processed crude oil
 - smuggled mobile phones
 - smuggled and counterfeit alcohol products
- We will focus on regional differences using 12 NUTS1 regions as basis of analysis.

Betam's PMI IMPACT project

Our project uses information

- that is freely available information such as annual reports of Anti-Smuggling and Organized Crime Department (KOM) or statistics of Customs Enforcement (CE)
- from a survey with users of illegal commodities in 12 NUTS regions of Turkey and in-depth interviews with consumers (4800 surveys in 12 NUTS1 regions)
- from in-depth interviews with consumers, experts and various stakeholders (journalists, business associations, scholars, etc.). We plan to have 50 in-depth interviews with, experts and various stakeholders and 150 in-depth interviews with consumers.

About KOM

- Fight Against Smuggling and Organized Crimes (KOM) Department of Turkish National Police has been established in 1980. It operates in 81 provinces.
- Its primary objective is to fight against smuggling of miscellaneous products, corruption, money laundering and organized crimes and primarily against drug smuggling.
- Annual reports of KOM Department have been published on website of Administration without any limitation since 1993, except for 2002

KOM reports

- In KOM reports, crimes are examined under 4 titles:
 - Financial crimes: Adulterated money smuggling, corruption, usury, forgery, fraud, tax evasion,
 - Organized crimes: mafia type crimes, weapon and ammunition smuggling
 - Fight against proceeds of crime
 - Smuggling: Fuel, mobile phone, cigarette, alcoholic beverages, historical artefacts, medicine and miscellaneous foods.

Captured illegal products according to KOM reports

Figure 2. Captured fuel by year

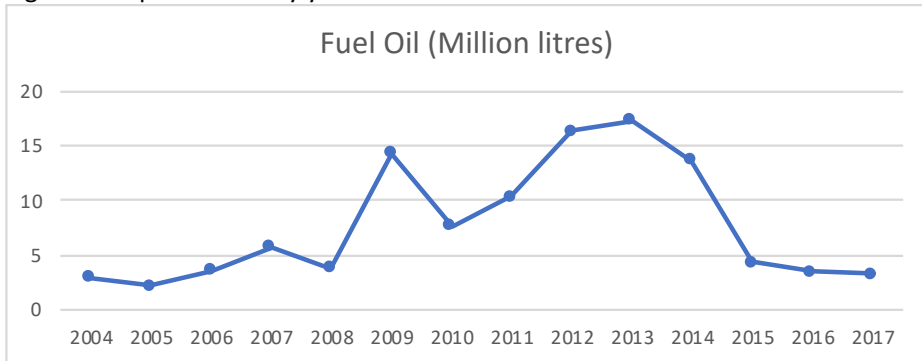


Figure 3. Captured cigarette by year

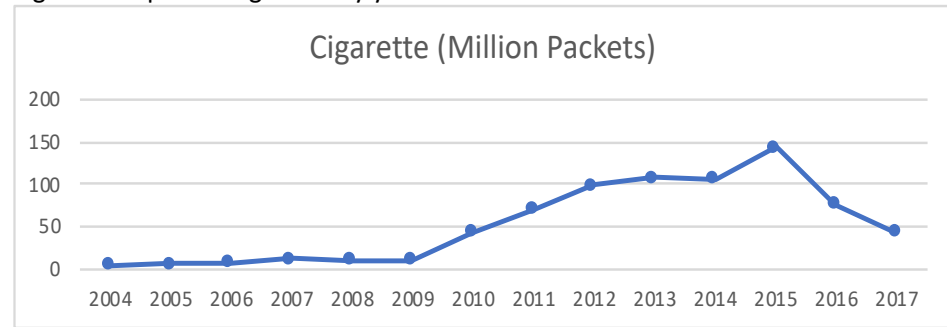
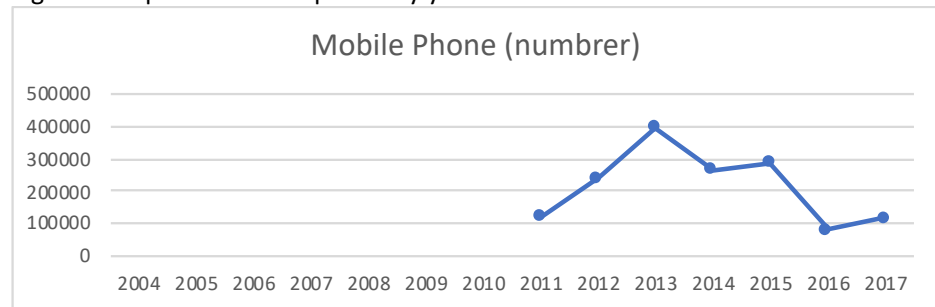


Figure 4. Captured alcoholic beverages by year



Figure 5. Captured mobile phone by year



Captured illegal products according to CE data

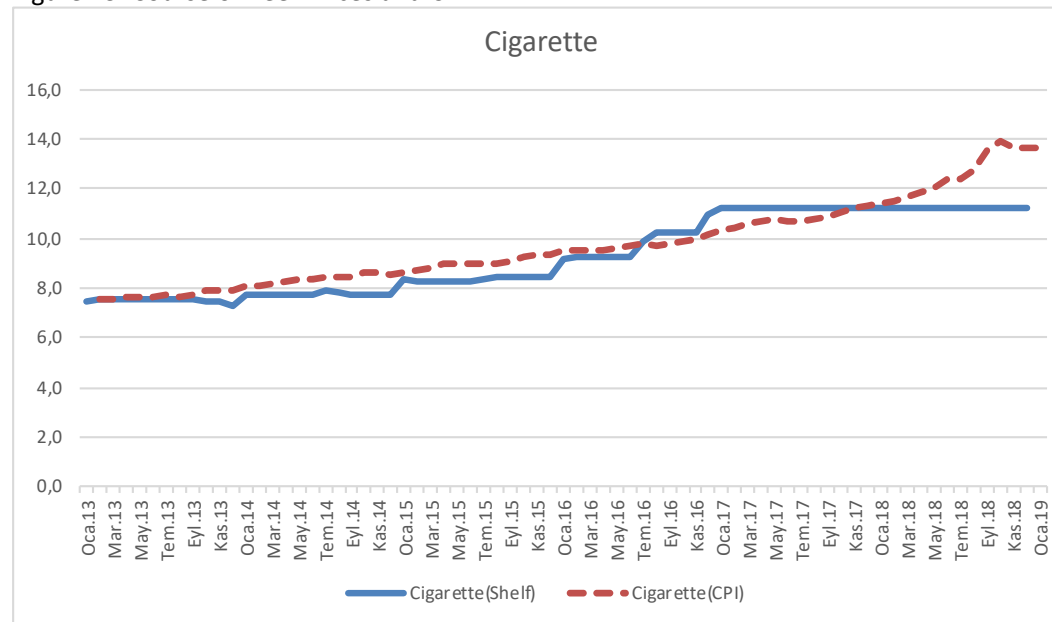
Table 1. Yearly Share of four products, which are subjects of the research, among total captures (commodity and drug) in CE reports

	Fuel oil	Alcohol Beverages	Cigarette	Mobile Phone
2010	6,1%	2,0%	2,7%	
2011	8,7%	1,7%	3,4%	
2012	15,2%	3,5%	3,5%	3,7%
2013	14,5%	2,1%	0,9%	11,5%
2014	9,9%	0,5%	3,3%	32,5%
2015	30,7%	0,3%	3,5%	7,5%
2016	10,7%	0,8%	3,4%	1,1%
2017	7,2%	0,7%	4,9%	1,7%
2018	5,9%	0,9%	4,7%	3,6%
Simple Average	12,1%	1,4%	3,4%	8,8%

Source: CE

Cigarette price vs CPI

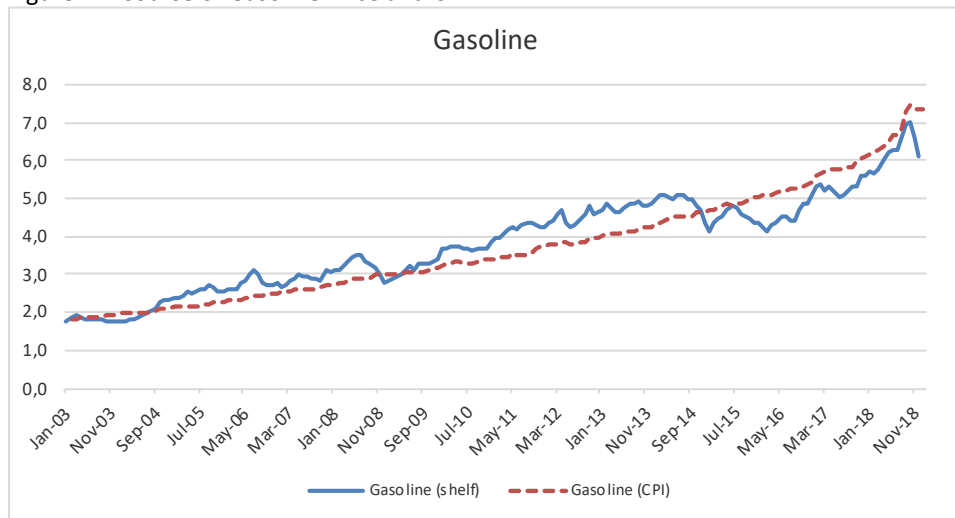
Figure 13. Course of Beer Prices and CPI



Source: TÜİK. Note: Solid line demonstrates shelf prices of beer (TÜİK) and dotted lines demonstrate relative situation in which beer prices has increased in line with CPI.

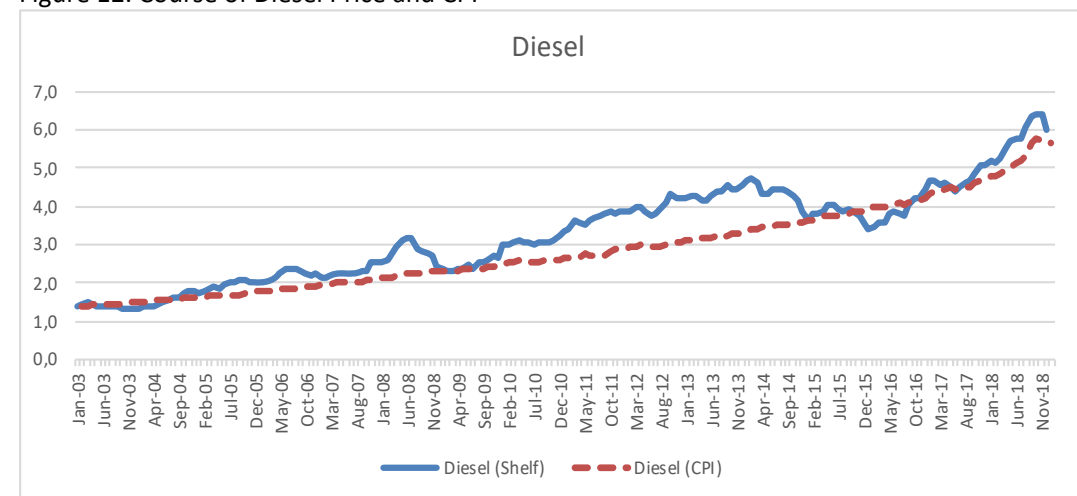
Gasoline and Diesel prices vs CPI

Figure 11. Course of Gasoline Price and CPI



Source: TÜİK. Note: Solid line demonstrates litre prices of gasoline (TÜİK) and dotted lines demonstrate relative situation in which gasoline prices has increased in line with CPI.

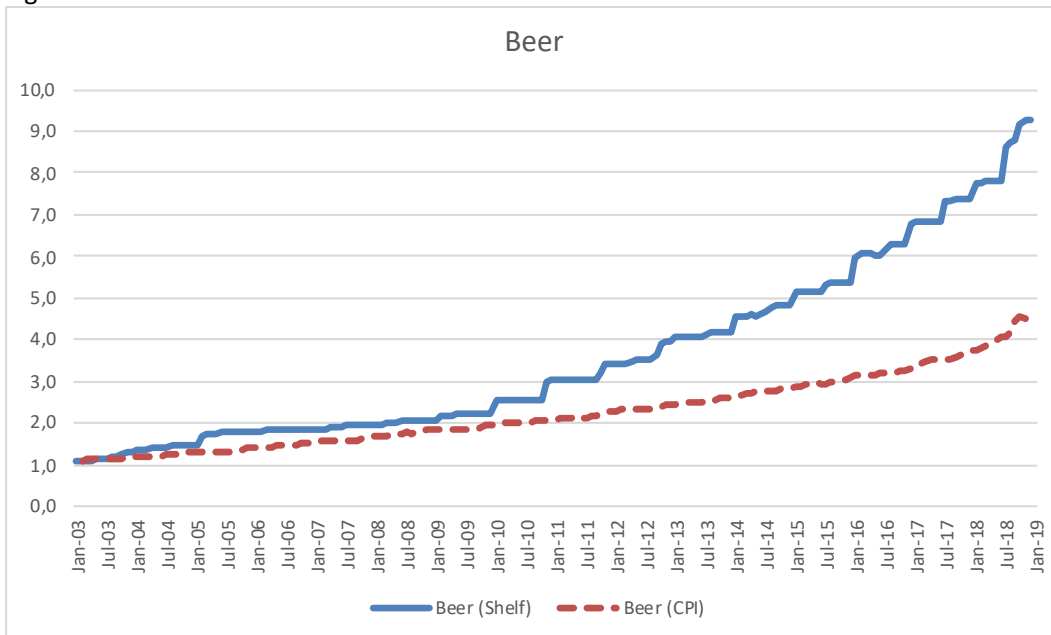
Figure 12. Course of Diesel Price and CPI



Source: TÜİK. Note: Solid line demonstrates litre prices of diesel (TÜİK) and dotted lines demonstrate relative situation in which diesel prices has increased in line with CPI.

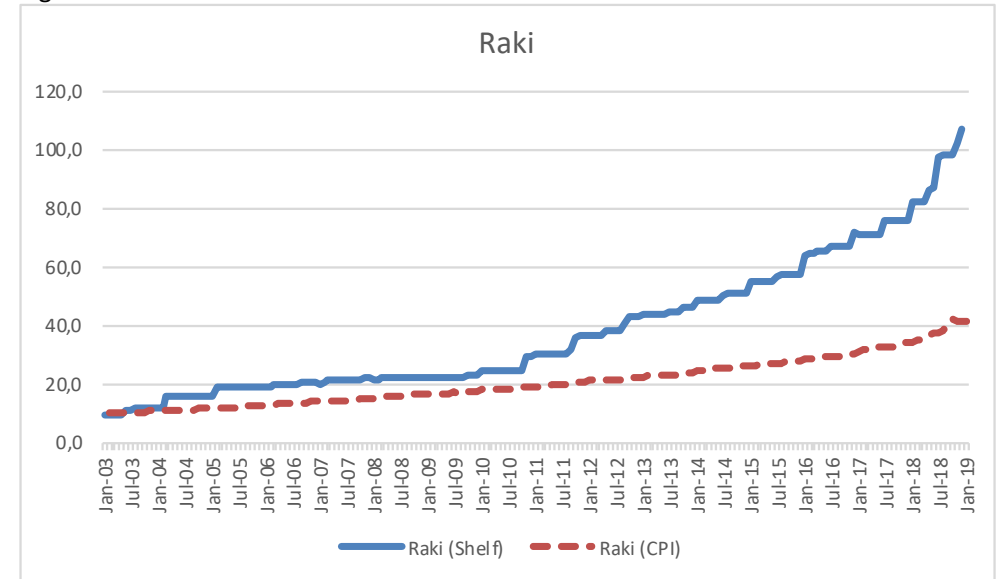
Beer and Raki prices vs CPI

Figure 13. Course of Beer Prices and CPI



Source: TÜİK. Note: Solid line demonstrates shelf prices of beer (TÜİK) and dotted lines demonstrate relative situation in which beer prices has increased in line with CPI.

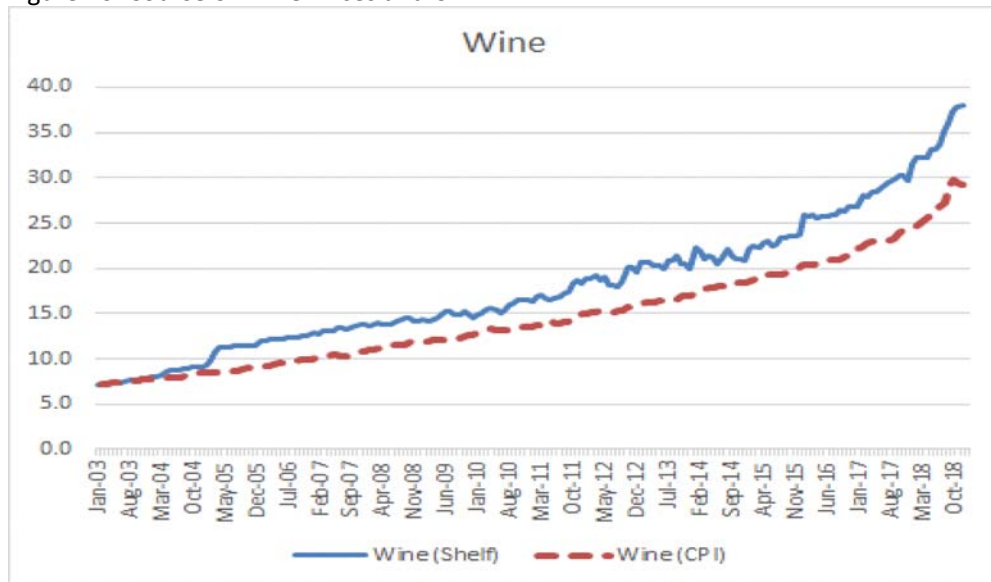
Figure 14. Course of Raki Prices and CPI



Source: TÜİK. Note: Solid line demonstrates shelf prices of raki (TÜİK) and dotted lines demonstrate relative situation in which raki prices has increased in line with CPI.

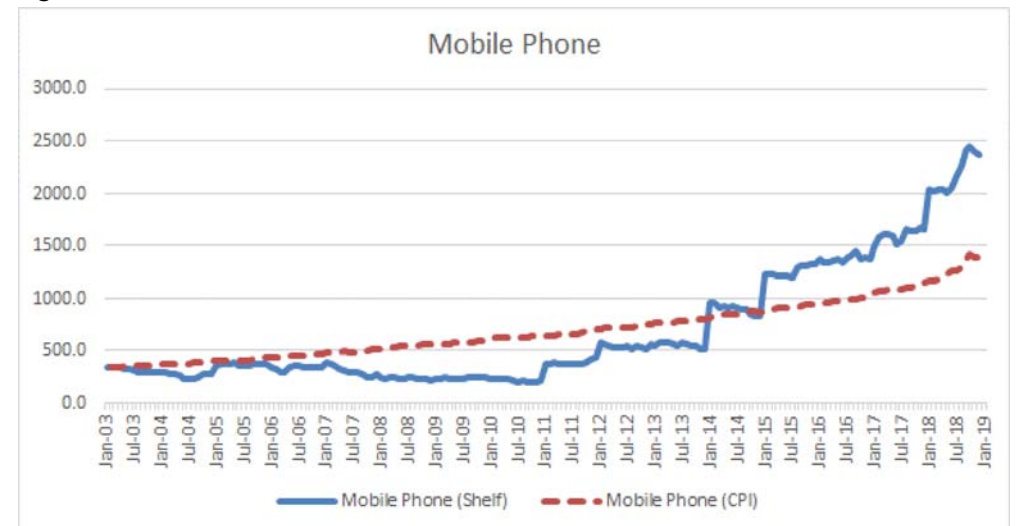
Wine and Mobile phone prices vs CPI

Figure 16. Course of Wine Prices and CPI



Source: TÜİK. Note: Solid line demonstrates shelf prices of wine (TÜİK) and dotted lines demonstrate relative situation in which wine prices has increased in line with CPI.

Figure 17. Course of Mobile Phone Prices and CPI



Source: TÜİK. Note: Solid line demonstrates shelf prices of mobile phones (TÜİK) and dotted lines demonstrate relative situation in which mobile phone prices has increased in line with CPI.

Methods and routes – fuel oil

- Illegal transition through and out of border gates (Iraq, Iran and Syria).
- Abusing of passenger exemption at customs gates (“ant trade”)
- National Marker at Fuel oil Market (2007): Fuel oil sold in the market, must include National Marker. It is added to fuel oil while exiting from refinery or entering to customs.
- Most smuggled product is mixed fuel oil (“Oil No.10”): “Oil No.10” is a type of fuel oil which is produced through waste motor and hydraulic oils and crude oils and thinning through a solvent and mostly preferred to be used heavy vehicles working with diesel.

Methods and routes - cigarettes

- Smuggled cigarettes brought for exportation are sold in domestically. Illegal cigarettes were found to be exported (or portrayed as cigarettes exported)
 - from European countries, Cyprus, Georgia, Romania and Bulgaria
 - to Middle Eastern countries (such as Iraq, Iran and Syria).
- Smuggled cigarettes arriving by the Mediterranean Sea
 - are first loaded on ships coming from Northern Cyprus
 - and then are thrown into the open sea wrapped in nylon and brought to the country by taking them to small fishing boats.
- Smuggled cigarettes arriving by the Black Sea
 - are first stored in countries such as Bulgaria, Romania and Georgia,
 - and then brought to the provinces of the Black Sea by fishing boats.

Methods and routes - cigarettes

- High amounts of smuggled and counterfeit cigarette are brought to Turkey from Iraq, Iran and Syria. Illegal transitions are both from border gates and also through mountainous territories in East and Southeast borders on animals.
- So called “Cheap White” cigarettes sourcing from Bulgaria, China, United Arab Emirates,
 - are transported to Turkey and European countries in illegal ways through land or sea
 - after being stored in Syria, Lebanon, Egypt, Romania, Georgia, Iraq and Iran.

Methods and routes - cigarette

- Abusing of passenger exemption at customs gates (“ant trade”)
- It is established that fake cigarettes are produced at factories in Northern Iraq and released to market with fake banderols.
- The approximate breakdown of smuggled cigarettes captured in 2014 is established as follows:
 - %50: Bulgaria (Prestige-Victory- M&M),
 - %30: China (J&J-Ashima-Marble-Empire), Indonesia (United), Poland (Brillant), Armenia (Akhdamar), UAE (Capital), Moldova (MT), Jordan (Mikado) and Georgia (Pirvelli),
 - %10: Other countries
 - %10: Those produced in Turkey and exported to foreign countries and transferred to our country again through illegal methods (Vigor-Toros 2005-Swisse-President-Kent-Viceroy- Black Galleon)

Methods and routes – alcoholic beverages

- Smuggling and counterfeiting alcoholic beverages are concentrated Mediterranean and Aegean coastline and at major cities. => touristic centres, economically developed, higher level of per capita alcohol consumption.
- Abusing of passenger exemption at customs gates with “ant trade” and use of yachts and vessels from the countries close to territorial waters.
- While methanol was observed in the counterfeit alcoholic beverages, seized in the previous years, the use of industrial-type ethyl alcohol, has been observed after 2015. Ethyl alcohol has a significant risk in terms of human health.
- Refilling empty bottles of raki by counterfeit products

Methods and routes – mobile phones

- Mobile phones, which are sourced from Far East Countries (especially China) are mainly transferred to Turkey via Iran, Iraq, Syria, Georgia and Bulgaria. Purchased mobile phones are usually transferred to Turkey through following methods:
 - Through airports accompanied by passengers,
 - Through hiding among legal goods via making false statement,
 - Through hiding secret parts of vehicles which are used for passenger and freight transportation,
 - Through the method of couriering,
 - Through imports made by fraudulent or missing declaration
- Moreover, smuggled mobile phone transfer is made directly through carrier or drop-shipping method or with the passengers from China, Dubai, USA and Hong Kong

Methods and routes – mobile phones

- Mobile phones originating from Georgia are bought by Turkish citizens then delivered to Georgian nationals who pass borders on a daily basis
- Mobile phones originating from Greece and Bulgaria were transported to Istanbul by private vehicles of smugglers
- Mobile phone spare parts that are imported to Turkey as demounted or imported in illegal ways are turned into mobile phones by assemblage
- South-eastern provinces are leading provinces in terms of mobile phone smuggling.