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Illicit trade of tobacco products along the Balkan Route: Institutional and Governance Gap



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The study in Italy

Three stages

1. Analysis of the licit and illicit tobacco market and institutional responses (eventual gaps and suggestions)
2. Pilot testing
 - *Integrated index for Illicit cigarettes market assessment*
 - *Index administrative bodies effectiveness in seizing illicit cigarettes* (Financial police and Customs and Monopolies Agency)
3. Pilot testing *cigarette brands seizure deviation index* (SDI)

Methodology

- Analysis of primary and secondary data
- Confrontation on results with experts (in-depth interviews and focus group)

Drivers of ITTP in Italy

Risks and vulnerabilities

- Geographical position of the country (transit and destination, main arrival points and key role of ports)
- Proximity with Eastern European countries (Slovenia, Friuli-Venezia Giulia border), especially for *illicit whites*
- Role of native organised crime groups (Camorra clans/Sacra Corona Unita groups) and *joint ventures* with Eastern European organised crime/criminal groups
- Mafia infiltration (more than corruption)
- Economic crisis and social perception of contraband cigarettes
- Price differential at the EU level

The illicit tobacco trade in Italy/1

Main trends 2016-2017

- Slight decrease in the number of contraband cigarettes packs seized at the national level
- Sharp decrease of counterfeit packs of cigarettes seized and high increase of contraband fine-cut tobacco

Main countries of origin

- 2017: Saudi Arabia, Georgia, Spain, Greece
- 2018 (Jan-Jun): Arab Emirates, Guinea Bissau, Greece, Bulgaria
- Role of Belarus and Ukraine: in 2016 number of cigarettes coming from Ukraine increase passing Belarus, in 2017 two cigarettes out of three detected in the national illicit market are from Ukraine (*mainly illicit whites*)

The illicit tobacco trade in Italy/2

Illicit whites

- In 2016, the incidence of *illicit whites* on the national illicit tobacco market is particularly high (around 60%) and in 2016 and 2017 they are the main consumed type of illicit cigarettes
- In 2017: most present brands are: Regina, Marble, Pine, Minsk, Mark1
- In 2017: consumption is higher in the South compared to the North

In the South: Palermo (70%) followed by Naples, Catania, Messina

In the North: Modena (50%) followed by Genoa

Legal and institutional response to illicit tobacco trade

Comprehensive and effective, based on:

1. Different legislative, judicial and investigative tools (i.e., laws, decrees and legislative decrees), among which Art. 416 and Art. 416 bis of the Penal Code
2. Compliance with EU Directives
3. Dedicated administrative bodies and judicial institutions
 - Financial Police - Guardia di Finanza;
 - Customs and Monopolies Agency - Agenzia delle Dogane e dei Monopoli;
 - National and Anti-terrorism Directorate - Direzione nazionale antimafia e antiterrorismo, DNA and anti-mafia District Directorates. DDAs)

Some suggestions to foster the fight against ITTP at the national level

Environment/context

- Harmonisation of the legislation on organised crime and ITTP at the EU level
- Increase the penalties for organised criminal associations involved in ITTP
- Foster investigative and judicial cooperation through dedicated and international bodies (Europol, OLAF, Eurojust)
- Developing a monitoring strategy and system (based on alerts) to detect possible corruptive practices present

Licit tobacco market

- Adopt a balanced tax policy as to harmonise prices within the EU
- Increase transparency obligations for suppliers, importers and distributors of tobacco products, and proactively implement the dispositions of Directive 2014/40/UE

Illicit tobacco market

- Foster data intelligence among law enforcement agencies, customs agencies, judicial authorities, governmental bodies and manufacturers through the creation of a centralised and updated database on ITTP (real time monitoring and analysis)
- Implement *ad hoc* studies and the exchange of data between the academia and administrative bodies

Integrated index for illicit cigarettes market assessment at regional level

Index	Data	Italy
Index 1. Administrative bodies effectiveness in seizing illicit cigarettes	Number of cigarettes seized by administrative bodies as a share of total cigarettes consumption	X
Index 2. Police force by region	Number of police officers per capita	-
Index 3. Economic development/tourism of the region	Number of nights spent by foreign tourists/Average annual salary in the region/Unemployment	X
Index 4. Illegal activity in the region	Recorded property crimes/Penal decrees by the customs authorities in the region	X/-

The interplay among these four types of influences on ITTP is not simple and unidirectional

Administrative bodies effectiveness in seizing illicit cigarettes (2016)

Macro-regional areas	EPS %	Administrative bodies effectiveness %
Liguria, Piedmont, Valle d'Aosta	5	0,05
Latium, Abruzzo	3	1,5
Lombardy	5	0,5
Emilia-Romagna, Marche	4	3,1
Sicily	22	0,05
Apulia, Molise, Basilicata	22	2,1
Campania, Calabria	22	0,006
Tuscany, Sardinia, Umbria	3	5,1
Veneto, Friuli-Venezia Giulia	4	0,15
Trentino-Alto Adige	4	0,00

Ranking of administrative bodies effectiveness in seizing illicit cigarettes (2012-2017)

Macro-regional areas	2012	2013	2014	2015	2016	2017
Liguria, Piedmont, Valle d'Aosta	5	3	6	9	7	6
Latium, Abruzzo	7	7	4	5	4	10
Lombardy	10	10	10	10	10	2
Emilia-Romagna, Marche	2	2	3	3	3	8
Sicily	6	6	5	4	5	7
Apulia, Molise, Basilicata	1	1	1	1	1	3
Campania, Calabria	4	8	2	2	8	1
Tuscany, Sardinia, Umbria	8	5	7	7	2	5
Veneto, Friuli-Venezia Giulia	3	4	8	8	6	4
Trentino-Alto Adige	9	9	9	6	9	9

What the ranking of administrative bodies effectiveness tell us/1

High variability in the period 2012-2017 with main characteristics:

- In general, the effectiveness of administrative bodies in the macro-regional areas, suggests that the counteraction is allocated consistently in regard to the share of the illicit market and its changes and trends
- Higher variability in effectiveness in some macro-regional areas (e.g., Piedmont, Liguria, Valle d'Aosta; Tuscany, Umbria and Sardinia) depends on variations in the illicit market share (changes of actors, *modi operandi* and quantity smuggled) that alert and raise the attention of the administrative bodies and the subsequent counteraction
- Lowest variability and higher levels of effectiveness in some macro-regional areas (e.g., Emilia-Romagna, Marche; Puglia, Basilicata, Molise) reflect the presence of hot spots (ports, touristic locations) and rooted smuggling activity - higher share of illi

Cigarette brands seizure deviation index (SDI)

High-risk brands (2013-2017)

- Camel, Chesterfield, Classic, Marlboro, Rothmans, Pall Mall, Pine

Examples

Brand	SDI					Risk of potential corruption practices				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Marlboro	2.31	3.76	5.36	5.82	3.60			100	100	
Pall Mall						100	100	100	100	

Potential local privileged criminal actors in Italy

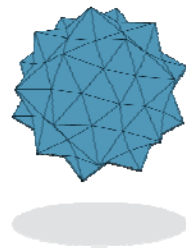
Example: city of Milan and Naples 2016

Milan Top five brands	Share of all illicit cigarettes	SDI
Marlboro	36.41 %	100
Winston	11.52 %	100
L&M	7.37%	100
Chesterfield	6.91%	100
Regina	5.99%	100

Naples Top five brands	Share of all illicit cigarettes %	SDI
Regina	24.90%	100
Marlboro	13.15%	100
Marble	9.31%	100
Gold Mount	7.85%	100
Winston	4.60%	100



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