2019 Report on the Situation of cigarettes and tobacco smuggling in Southeast Europe
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2019 Report on Cigarettes and Tobacco Smuggling in SEE

Republic of Albania

Republic of Bulgaria

Bosnia and Herzegovina

Hellenic Republic

Hungary

Republic of Moldova

Montenegro

Republic of North Macedonia

Romania

Republic of Serbia

Republic of Turkey
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Introduction

Illicit trade is a far-reaching criminal phenomenon which seriously harms world economies, markets and communities through the tremendous loss of tax revenue and through loss of profits and reputational harm to industries. Globalization and the latest technology developments have enabled criminal networks to expand the scale of their operations and to undermine the rule of law by exploiting the loopholes in our legislations.

Cigarettes and other tobacco related products smuggling, as part of the global illicit trade, offers extremely high profits and they are amongst the most traded products on the black market. It is a well-organized criminal activity, in which experienced trans-border perpetrators continue to operate, and thrive in obtaining high profits due to the relative ease of production and movement.

The convergence of illicit tobacco trade and organized criminal groups (OCGs) poses a great threat for societies and it fuels the global shadow economy, which is estimated by various international organizations at hundreds of billions of dollars yearly. World Health Organization (WHO) claims that 10% of all cigarettes consumed globally are illicit\(^1\), and according to the Royal United Services Institute (RUSI) the loss of revenue to governments caused by illicit cigarettes in Europe in 2017 was approximately 10 billion EUR.\(^2\)

The profits from illicit trade in Southeast Europe are hard to estimate. The information that law enforcement agencies have is normally accessed through seizure notifications, own databases and open sources. Criminal groups and individuals engage in smuggling of cigarettes and other tobacco related products mainly because it’s a highly lucrative criminal activity, and they face considerably lower risks compared to other types of crime. For these groups/individuals, it constitutes a substantial source of income, being just as profitable as engaging to higher risk-crime such as drug trafficking, while the risk of detection is smaller and the penalties are lower.

In recent times the dynamic of illicit tobacco market has changed, with less contraband of the major international producers, while most cases of seized cigarettes in the region consist of cheap-whites and in a few cases even counterfeits of cheap-whites. In Southeast Europe, the main type of transportation used for smuggling cigarettes is by road, and the preferred type of road transport is by trucks. Nevertheless, the largest quantities are usually transported via maritime containers, due to their enlarged fitting capacity.

The current document, Southeast European Tobacco Products Smuggling Situation Report (hereinafter referred to as “the report”) was produced by SELEC’s Analytical Unit. The report covers the year of 2018 and is predominantly based on the contribution provided by all Member States of SELEC.

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1. [https://www.who.int/news-room/fact-sheets/detail/tobacco](https://www.who.int/news-room/fact-sheets/detail/tobacco)
Methodology

The aim of the Report is to provide a detailed analysis of the situation of tobacco products smuggling, in order to support the national law enforcement authorities in their joint efforts to fight against this criminal phenomenon. The analysis intends to be a tool for decision making factors in order to better perform in the fight against smuggling of tobacco related products in the SEE region.

In the process of compiling this report, the following sources of information were used:

- Annual Questionnaires for SEE tobacco products smuggling situation report over the period from January to December 2018; the questionnaire was provided by 10 SELEC Member States;
- Seizures notifications for 2018;
- Other relevant open sources, cited in the content of this report.

The figures reported in annual questionnaires include, with a few exceptions, information provided by Police, Customs and other Law Enforcement Authorities, such as Border-Police and Gendarmerie.

As agreed during the 12th meeting of the Anti-Fraud and Anti-Smuggling Task Force (AFAS TF) and confirmed by the following AFAS TFs, starting with the year 2012, a threshold (above 10,000 pieces per case) was requested in the reporting mechanism of the data for the annual Report related to all detailed information for cigarettes.

With respect to the data and analyses contained by this Report, it has been noticed that, depending on the national data collection systems, the contributions of some Member States were not fully detailed, or some particular common issues of interest were reported by only one national authority in one contribution; therefore, the report may not reveal a complete overall regional situation. The accuracy of this Report and the overall situation in the Southeast Europe is depending on the completeness of the Member States contributions.

The Report is covering the following subjects of particular interest:

- Total amount of seized cigarettes, raw and smoking tobacco as reported relevant by law enforcement authorities for 2018; comparative analysis with the previous two years;
- Location of the seizures, reasons of control, means of transport, concealment methods, cover loads;
- Brands and authentication of the cigarettes;
- Countries of departure/transit and destination/transit, routes and affected borders;
- Nationalities of the offenders involved in the cigarettes smuggling;
- SELEC main activities in supporting its Member States in their constant efforts to tackle these kinds of illegal activities.
Executive summary

Over the period under analysis, the year 2018, all 11 Member States of SELEC considered together seized approximately 1.5 billion cigarettes (1,487,127,949 pieces), leading to a drop of 41% compared to the level recorded in 2017, when roughly 2.5 billion cigarettes (2,505,5033,926 pieces) were detected and seized accordingly.

The amount of cigarettes detected last year represents the sum of all quantities seized in a number of 54,358 cases. Compared to the number of cases registered by SELEC Member States in 2017 (55,740 cases), there was a slight decrease of 2% or 1,382 less cases than the year before. Furthermore, in 2018, 10,073 seizures were related to quantities above 10,000 cigarettes, while those with quantities lower than 10,000 cigarettes were four times more, respectively 41,461 cases.

In 2018, the total quantity of smoking tobacco summed up to almost 324 tons (323,961 kg), a 67% decrease from the previous year, when close to 1,000 tons of smoking tobacco were seized.

The total amount of raw tobacco seized in 2018 in SEE region reached close to 470 tons (466,671 kg), a decrease of 7% from the 499 tons recorded in the previous year. Over the same period, the number of reported seizures increased by 60% from 1,245 in 2017 to 1,992 in 2018, marking a considerable growth compared to the previous year, and a sharp increase when compared to 2016 (159 seizures).

The cigarettes seized inland represented 70% of the total in the region, followed by border crossing points with 27%, while the total amount of cigarettes seized at the green border of the reporting countries represented only 3% of the total. Regarding the number of seizures, 8,993 cases of tobacco products (including cigarettes, smoking and raw tobacco) were detected inland, 3,491 seizures were made at the border crossing points and 406 detections were reported within the green border zone.

In 2018, the total number of cigarettes seized after routine checks was approximately 355 million (355,438,863 pieces), registering a decrease of 55% compared to 2017. Regarding cigarettes seizures based on intelligence gathered by LEAs from SELEC Member States, there is an important decrease of 30%, as well as 43% fall in seizures based on risk analysis. The Other reasons of control section (x-ray, sniffer dogs etc.) registered an 89% decrease from 2017.

Regarding the main types of transportation used for smuggling tobacco related products (cigarettes and smoking tobacco) the highest number of cases was related to Road transportation means - 7,808 cases and Other types (e.g. bicycle, pedestrian, inland markets) - 432 cases, which together account for 99% of the total cases reported, followed by Air Transport - 62 cases, Rail Transport - 25 cases, and Maritime/Water Transport - 18 cases.

Compared to the previous year, in 2018 the number of seizures for tobacco products (cigarettes and smoking tobacco) significantly decreased for Road transportation means (from 13,324 cases in 2017 to 7,808 cases in 2018), and Other types (from 1,134 cases in 2017 to 432 cases in 2018). Despite the small number of cases for cigarettes smuggled via maritime/water transportation - only 0.22% of the total (18 cases), the quantity of cigarettes seized accounted for 15% of the total reported (close to 110 million pieces of cigarettes), with an average of approximately 6 million cigarettes per seizure, whereas the
quantity of cigarettes smuggled via road transportation (543 million pieces of cigarettes) – representing 76% of the total, was recorded in 7,808 cases, with an average of 70 thousands cigarettes per seizure. Breaking it down to specific Road types of transportation used by smugglers, the largest quantity of cigarettes was reported by Turkey, totaling roughly 141 million pieces, mostly by use of Lorries/trucks (70 million pieces), followed by Passenger Cars (51 million pieces) and Buses (10 million pieces). Romania also reported a significant quantity of cigarettes detected in 2018, over 52 million pieces, smuggled mostly by use of Lorries/trucks (28 million pieces), Passenger Cars (17.5 million pieces) and Vans (roughly 6.5 million pieces).

127 brands of cigarettes were recorded based on all the seizures, totaling 730,380,020 pieces of cigarettes in 1,015 cases reported. Compared to the previous year (2017), a decrease of 48% has been recorded for the quantity reported by brands. For the second year in a row, the most frequent detected brand was “Marble”, representing 31% of the total number of cases reported, followed by “Ashima” with 17%. Regarding authentication, 190,660,502 pieces of cigarettes were reported, out of which 151,460,882 pieces were proven to be original (79%), 37,149,500 pieces (20% of the total) for duty free sale, and only 2,000,000 (1% of the total) forged/counterfeit. The remaining 50,120 pieces (0.03% of the total) were reported as waiting for authentication.

In 2018, there were a total of 21 illegal cigarette factories identified by SELEC Member States, with 44 pieces of equipment seized by the competent law enforcement authorities.

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3 A total number of 234,323,505 pieces of cigarettes were reported for this category by the Member States, which represents only 15.7% of the total number of seized cigarettes reported, respectively 1,487,127,949 pieces
Analysis #

1. Cigarettes

Over the period under analysis, the year 2018, all 11 Member States of SELEC considered together seized approximately **1.5 billion** cigarettes (**1,487,127,949 pieces**), leading to a drop of **41%** compared to the level recorded in **2017**, when roughly **2.5 billion** cigarettes (**2,505,503,926 pieces**) were detected and seized.\(^4\)

The amount of cigarettes detected last year represents the sum of all quantities seized in a number of **54,358 cases**. Compared to the number of cases registered by SELEC Member States in 2017 (55,740 cases), there was a slight decrease of **2%** or **1,382 less cases** than the year before.

\(^4\) The data related to seizures conducted in Croatia are no longer encompassed in the total quantity of cigarettes seized in Southeast Europe for 2017 and 2018.
In 2018, cigarettes seizures were made by different national authorities, like Police, Customs, Gendarmerie, Special Investigation Units, Anti-fraud units etc., but for reasons of comparability among Member States this report will present the main ones - Police and Customs.

Based on the data provided by the Member States, in 2018 the seizures reported by Police authorities from eight SELEC countries represented 23% of the total number of cases, while those made by Customs authorities comprised of 68% of all cigarette cases. The remaining 9%, totaling 4,686 seizures, were made by other agencies involved in combating cigarettes smuggling.

In 2018, the number of seizures made by the Police authorities has decreased compared to the level recorded in the previous year, whereas the number of seizures made by the Customs authorities has increased by 15% or 5,609 more cases.5

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5 This difference might be caused by the fact that there was no data related to Police seizures from three countries.
In terms of quantities seized, Police seized 49% of all the amount of cigarettes reported for 2018, followed by Customs with 38% and Other law enforcement authorities with 14%. It can be easily noticed that while Customs authorities have been somewhat constant in the number of seized quantities, the Police authorities from Southeast Europe have been on a downward trend over the last three years regarding seized cigarettes, registering in 2018 less than half of the quantities seized in 2016.

Quantities above/below the threshold of 10,000 pieces of cigarettes

Based on the data included in the annual questionnaires provided by SELEC Member States, in 2018, 10,073 seizures were related to quantities above 10,000 cigarettes, while those with quantities lower than 10,000 cigarettes were four times more, respectively 41,461 cases.

Figures on the amount of cigarettes exceeding 10,000 pieces or lower than this threshold was reported only for 63% of the total number of cigarettes detected in Southeast Europe in 2018.

The table below show an overview of the situation of cigarettes smuggling above the threshold of 10,000 pieces in the past three years, including the number of cases detected and the quantities recorded. In 2017, the total amount of cigarettes, subjects to seizures exceeding 10,000 pieces, has increased by 49% compared to 2016, reaching 1766,293,340 pieces from the level of 1,187,165,392 recorded previously.
2. Smoking tobacco

Based on the data available, provided by the Member States, in 2018, the total quantity of smoking tobacco summed up close to approximately 325 tons (323,961 kg), a significant decrease of 67% compared to previous year when approximately 1,000 tons of smoking tobacco were detected and seized.

Regarding the number of cases reported for the period under analysis, they totaled 3,184, marking a rise of 41% when compared to 2017.

The following two charts display a comparison between the number of cases and total quantities reported for each of the past three years, 2016 to 2018. Based on the data available, the highest number of cases in each year was reported by the Customs authorities from SELEC Member States, with an all-time high registered in 2018. Concerning the number of cases reported by the Police authorities, they are constantly decreasing, while the cases registered by Other law enforcement authorities have significantly increased in 2017 and 2018 compared to 2016.

In 2017, the largest quantity of smoking tobacco was seized by Other law enforcement authorities (e.g. Coast Guard, Gendarmerie a/o), with 72% of the overall seized quantity (approximately 380 tons), whereas in 2018 the largest quantity seized was reported by the Police authorities, nearly 155 tons of smoking tobacco representing 48% of the total quantity.
3. Raw tobacco

Eight SELEC Member States provided data regarding the number of cases and quantities of raw tobacco seized over 2017.

Based on the available information, the total amount of raw tobacco seized in 2018 in Southeast Europe reached close to 467 tons, registering a slight decrease of 7% from the quantity recorded in the previous year. Over the same period, the number of reported seizures went up by 60% from 1,245 in 2017, to 1,992 in 2018.

Location of seizures

The data submitted by SELEC Member States for 2018 via the annual questionnaires regarding the location of the seizures includes information on the following quantities: 663,552,923 pieces of cigarettes and 463,572 kg of raw tobacco. The information presented in the current chapter covers 47% of the total number of cigarettes seized over the period and 99% of the total amount of raw tobacco.

Based on the information available, in 2017 the cigarettes seized inland represent 77% of the total (keeping in mind the threshold of above 10,000 pieces) in Southeast Europe, followed by border crossing points with 15%, while cigarettes seized at the green/blue border of the reporting country represented 7.2% of the total. In 2017, the situation was somewhat similar, with the difference that in 2018 there was a decrease regarding seizures registered at the green/blue border, and an increase at seizures reported inland.
Similar to the situation identified in the previous two years, the largest quantity of raw tobacco accounting for 96% of the total was detected inside the national territories of SELEC Member States’, while the remaining 4% were seized at the border crossing points.

An overall situation on the location where tobacco related products were seized is presented in the table below.

<table>
<thead>
<tr>
<th>Location</th>
<th>Cigarettes (Pieces)</th>
<th>Raw Tobacco</th>
<th>Smoking Tobacco</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inland</td>
<td>513,493,947</td>
<td>443,820</td>
<td>75,870</td>
<td></td>
</tr>
<tr>
<td>Border Crossing Point</td>
<td>102,608,196</td>
<td>963</td>
<td>23,688</td>
<td></td>
</tr>
<tr>
<td>Green Border</td>
<td>47,450,780</td>
<td>18,789</td>
<td>1,405</td>
<td></td>
</tr>
</tbody>
</table>

Having in mind that the total number of cigarettes for which we have information regarding the location of seizures is considerably lower than the overall total, it might be that the percentages presented above are under or overestimated, depending on the particular situation of each Member State.

According the data received from the Member States, 8,993 cases of tobacco products (including cigarettes, smoking and raw tobacco) were detected inland, 3,491 seizures were made at the border crossing points and 406 detections were reported as made within the green border zone. Comparing to the previous year, in 2018 it was noticed that the number of seizures made inland and at the BCPs have increased, but they are still lower than the number of cases registered in 2016. However, the number of cases reported at the green border has very slight variations from one year to another in the last three consecutive years.
Reasons of Control

The chart above shows that the vast majority of the cigarettes seized in 2018 were based on *routine checks* conducted by the law enforcement authorities from SELEC Member States, with a total number of approximately **355 million** (355,438,863 pieces), with a decrease of 55% when compared to the previous year, but with an increase of 200% from the level recorded in 2016, when roughly **119 million** cigarettes were detected based on this reason.

Regarding cigarettes seizures based on *intelligence* gathered by LEAs from SELEC Member States, there is an important decrease of 30%, as well as 43% fall in seizures based on *risk analysis*. The *Other* reasons of control section (x-ray, sniffer dogs etc.) registered an 89% decrease from 2017.

Looking at the *intelligence* capabilities which resulted in cigarettes seizures performed by LEAs from Southeast Europe, there is a noticeable decrease compared to the previous two years. If we take into consideration that intelligence gathering is a very important part of the law enforcement authorities’ work and especially from the police forces of each Member State, it could be an indicator that the authorities from Southeast Europe should focus more on this specific area in the future.

It is worth mentioning that this analysis is bases on the information on reasons for control provided for just a limited amount\(^6\) of cigarettes (**852,006,003 pieces**) compared to the overall total presented in the content of chapter 1 (**almost 1.5 billion pieces of cigarettes**).

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\(^6\) Representing 57% the overall total
Means of Transport

Regarding the main types of transportation used for smuggling tobacco products (cigarettes and smoking tobacco) the highest number of cases was related to Road transportation means - 7,808 cases and Other types (e.g. pedestrian, inland markets) - 432 cases, which together account for 98.75% of the total cases reported, followed by Air Transport - 62 cases, Rail Transport - 25 cases, and Maritime/Water Transport - 18 cases.

Even though there is a sharp decrease in number of case reported via Road transportation from the previous two years, it remains the preferred type of transportation for smugglers in Southeast Europe, followed by Other types of transport.
Compared to the previous year, in 2018 the number of seizures for tobacco products (cigarettes and smoking tobacco) significantly decreased for Road transportation means (from 13,324 cases in 2017 to 7,808 cases in 2018), and Other types (from 1,134 cases in 2017 to 432 cases in 2018). Despite the small number of cases for cigarettes smuggled via maritime/water transportation - only 0.22% of the total (18 cases), the quantity of cigarettes seized accounted for 15% of the total reported (close to 110 million pieces of cigarettes), with an average of approximately 6 million cigarettes per seizure, whereas the quantity of cigarettes smuggled via road transportation (543 million pieces of cigarettes) – representing 76% of the total, was recorded in 7,808 cases, with an average of 70 thousands cigarettes per seizure.

Containers were the most used maritime/water type of transportation used for smuggling of cigarettes in 2018, 109,108,220 pieces of cigarettes being seized in 7 cases. 96% of this quantity (104,422,000 pieces) was reported by the Turkish authorities, while Bulgaria seized a quantity of 4,686,220 cigarettes in two cases of cigarettes smuggled via container.
The law enforcement authorities from the SELEC Member States seized a total of 543,191,343 pieces of cigarettes in 7,808 cases and 50,256 kg of smoking tobacco in 317 cases using road transportation as a method for smuggling tobacco related products. For this category, the amount of detected cigarettes has increased by 6% from the previous year and by 58% from the 1.27 billion pieces recorded in 2016.

The railway transport was used for smuggling 984,920 pieces of cigarettes in 25 cases. Four Member States have reported seizures of cigarettes transported by rail.
The chart below displays a comparison among the number of cases involving tobacco related products (cigarettes and smoking tobacco) reported in each of the past three years, by main categories of road transport.
In 2018, *cars/passenger cars* were used in 54% of the cases, followed by *lorries/trucks* with 26%, *coach/buses* with 14% and *vans* with 7%. Compared to 2016 and 2017, a decrease in the number of cases were reported for *cars/passenger cars* and *vans*, while the number of cases where *buses* and *trucks* were used have increased, which highlights these types of transportation as a growing risk factor.

Approximately 92% of the smoking tobacco seizures made over 2018 in SELEC Member States and reported via the annual questionnaires mentioned *Other* types of transport (73%) and *Road* transport (19%). Regarding *air* transportation, there is a 60% decrease compared to the previous year for number of cases reported, whereas the quantity seized - 76,421 kg of smoking tobacco in 2018 is higher than the quantity seized within 2017 - 45,652 kg of smoking tobacco.

<table>
<thead>
<tr>
<th>Tobacco Products</th>
<th>Air</th>
<th>Maritime/Water</th>
<th>Rail</th>
<th>Road</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigarettes</td>
<td>62</td>
<td>18</td>
<td>25</td>
<td>7,808</td>
<td>432</td>
<td>8,345</td>
</tr>
<tr>
<td>Smoking tobacco</td>
<td>123</td>
<td>3</td>
<td>-</td>
<td>317</td>
<td>1,196</td>
<td>1,639</td>
</tr>
</tbody>
</table>

Number of cases, by type of tobacco products, and means of transportation

**Methods of concealment and cover loads**

Based on the information available from a total of 118 million cigarettes, 79 million were hidden in the construction parts of a vehicle or vessel and 39 million were concealed among cargo.

<table>
<thead>
<tr>
<th>Year</th>
<th>Among Cargo</th>
<th>In construction of the vehicle</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>512,258,910</td>
<td>218,914,888</td>
</tr>
<tr>
<td>2017</td>
<td>70,464,346</td>
<td>28,530,807</td>
</tr>
<tr>
<td>2018</td>
<td>39,378,790</td>
<td>7,937,607</td>
</tr>
</tbody>
</table>

Methods of concealment for cigarettes over the past three years

As displayed in the chart above, in 2018, the overall figures for this section have remained rather similar in quantities reported; however, the data has changed completely in the sense that the preferred type of concealment for smugglers was in the construction of the vehicle (67%) and the seizure of cigarettes smuggled among cargo have dropped to 33% of the total reported for this section.
In 2018, in **72%** of the cases reported (**575 seizures**) the cigarettes were hidden in the construction of the vehicle and in **28%** (**228 seizures**) they were stored among cargo.

### Brands of cigarettes

127 brands of cigarettes were recorded based on all the seizures, totaling **730,380,020 pieces of cigarettes** in **1,015 cases** reported. Compared to the previous year (2017), a decrease of 48% has been recorded for the quantity reported by brands.

The chart above displays the main brand of cigarettes seized in 2018 based on the number of reported cases. For the second year in a row, the most frequent detected brand was “Marble”, representing 31% of the total number of cases reported, followed by “Ashima” with 17%. Next we have Rothmans with 88 cases representing 11% of the total and Jin Ling with 78 cases representing 10% of the seizures reported.

In terms of quantities seized in our period of reference, the main brands were: MM with **20%** of the reported total, J&J with **15%** and Prestige with **14%**.
Authentication

Nine Member States provided their data for 2018 for this category, totaling 190,660,502 pieces of cigarettes, of which 151,460,882 were proven to be original (79%), 37,149,500 pieces (20% of the total) for duty-free sale only, and 2,000,000 (1% of the total) forged/counterfeit\(^7\). The remaining 50,120 pieces were reported as waiting for authentication at the moment of reporting.

As presented in the chart above, the largest share (79%) of the total number of reported cigarettes was established to be original, and 20% of the total quantity is for duty-free sale. This high number of original cigarettes detected in SELEC region indicates that the smugglers did not produce the cigarettes, but only profited of the price differences caused by different level of taxation applicable in different countries.

\(^7\) For each cigarette case the minimum quantity threshold is above 50,000 pieces in order for the relevant trademark owner to inspect the cigarettes seized
Routes used for smuggling tobacco related products

Based on the information available, in 2018 the countries situated in SELEC region were both transit and destination countries, depending on the actions of organized criminal groups involved in smuggling of tobacco related products. To a lesser extent, there were situations when it was established that a SELEC Member State was also the starting point of transports containing tobacco products. Detailed information for each of these mentioned topics are presented in law enforcement restricted version of the report.

Besides several SELEC Member States mentioned in the table above as destination/transit countries, other European countries were mentioned as final destination for cigarettes smuggling.

SELEC’s efforts in 2018:

**Regional Operation ECLIPSE III** focusing on suspicious consignments of cigarettes, raw tobacco and smoking tobacco throughout Southeast Europe, 19 – 30 November 2018. Operation Eclipse III was initiated by the Albanian authorities and it took place in the period 19-30 November 2018, with the participation of all SELEC Member States. The Operation aimed at monitoring and combating illegal trade, with a focus on smuggling of cigarettes and tobacco related products. Intensive control measures on border crossing points and inland were carried out, by utilizing shared intelligence and jointly coordinated investigations amongst participating SELEC Member.

Over the 10 days’ operational phase of Regional Operation Eclipse III, a number of 161 seizures were reported by the Member States. 1650 pieces of information were exchanged during the Operation in relation to approximately 41.5 million seized cigarettes, 557 kg of raw tobacco, 362 kg of water-pipe tobacco and 354 kg of smoking tobacco seized.

**Regional Operation KNOW-HOW III:** The aim of the operation was to detect and detain counterfeit goods entering SELEC Member Countries both in commercial and non-commercial consignments transported by all means of transport (air, postal traffic, road, railway, sea, etc.). The operation required intensive exchange of information which had to lead to selection and identification of high risk consignments, with a special focus on counterfeit pharmaceutical products, smuggled by express mail or postal parcels.

In order to implement the operational plan, an Operation Coordination Unit was established at SELEC HQ. A total number of 2,398 exchanges of information were made during the Operation. Information exchanged generally referred to detentions made by competent authorities within the Regional Operation timeframe and included data on location of seizures, type of goods, brands, routes, consignors and offenders.

Within the Regional Operation timeframe, over 350,000 checks were carried out by the relevant authorities in the Member States leading to 562 detentions of goods, while 466 turned into seizures,
and the rest are under further investigation and authenticity evaluation. This total is much higher than the one registered during the previous joint operation KNOW HOW (113).

The report is based on the analysis of all 466 cases of detecting goods infringing intellectual property rights of globally-known brands. The analysis was performed in particular with respect to places of seizures, methods of concealment, countries of departure and destination, means of conveyance used, etc. All of SELEC member states participated in the operation.

Most of the seizures were reported to be made inland (376), followed by seizures made at BCP with 63 seizures.
Conclusions

One of the main reasons for OCGs and individuals engaging in smuggling of cigarettes and other tobacco related products is the fact that they face considerably lower risks compared to other types of crime. For these groups/individuals, it constitutes a substantial source of income, being just as profitable as engaging to higher-risk crime.

A pressing issue in the region, as well as for the entire European Union, is the on-going trend of the so-called “cheap-whites” or “illicit whites”. The European Anti-Fraud Office (OLAF) defines them as “cigarettes manufactured legitimately in one country where they may have a domestic market or may not have a market at all in the EU, but are smuggled into or sold illegally in another country, where they do not have the license to be sold legally”.

The most common modus operandi in the region is the smuggling cigarettes across the state borders by hiding the goods in trucks with inbuilt false floors, heavy trucks, gas-tank trucks, vehicles with special storage compartments for concealment, vessels, fake passenger transportation, and false declarations of import and transit of goods. When transportation is done by trucks, the cover-up goods are going farther to the western EU countries, for which counterfeit customs and other necessary documents are acquired. Another method is the transshipment of maritime containers from countries outside the region to ports in Southeast Europe with false declaration, and under the cover of other goods (e.g. coal), are being further transported by trucks to Western Europe.

Smuggling of cigarettes and tobacco products in shipping containers through major transportation ports in Southeast Europe by using complex routes poses a problem especially in terms of the size of container port traffic, difficulties in detecting the containers with the smuggled goods and adequate checks of the necessary documentation. There have been cases of smugglers using the practice of throwing boxes filled with cigarettes close to the Member States’ coastline, which would later be taken out by accomplices in fishing boats, or by private boats approaching the vessels and making the transfer overboard, which are later unloaded in small harbors without border control.

There are also countries in Southeast Europe where illegal cigarettes factories are set up and operate in a rather limited capacity. Besides the obvious financial loses to the national budgets, counterfeit cigarettes produced in illegal locations pose additional health hazards to the population, due to the lack of control for ingredients used in the process.

Even though normally it’s cost-effective for OCGs to establish these illegal factories closer to countries from the Western Europe, there is a permanent threat to have them set up for a short period of time in the region. The illegal operators usually set up small scale factories, with few employees, but are still able to produce important quantities of counterfeit cigarettes for local black markets. The illegal factories can be closed within hours, afterwards being moved to other locations or even countries.

The movement of any suspicious machinery, equipment or materials across our borders needs to be checked thoroughly, and in the same time the implementation of intelligence-led policing needs to be accelerated with the purpose of disrupting and dismantling these illicit trafficking networks. A common
approach regarding asset recovery legislation should be taken in the region, in order to confiscate the criminally derived profits from illegal tobacco and other illicit commodities. Every Member State would gain from having a well-established practice in the field of asset tracing, identification, confiscation, management and sharing of confiscated assets.

Another concern in our area is represented by the rise of illegal trade of bulk/cut tobacco. The main drivers of bulk tobacco illegal consumption are the affordability of the product, the increased availability in the countries where it’s produced, as well as the significant price differences of up to three or even four times lower than the prices of the cheapest legal fine-cut tobacco. Member States in the region have also underlined the challenges posed by the aforementioned price difference, emphasizing that the raw tobacco may be further smuggled towards Western European markets, with high profit prospects in sight.

The routes that perpetrators use for smuggling cigarettes and other tobacco products in Southeast Europe are very dynamic. Having in mind SELEC’s Member States with lengthy seashores and busy maritime ports, it is fairly presumed that a substantial share of the smuggled cigarettes detected by LEAs is meant to be transported towards other markets. The largest quantities coming from countries outside the region are usually concealed in maritime containers arriving from source countries such as Ukraine, China, Thailand, Korea a/o. In the recent years, the Romanian-Ukrainian and Hungarian-Ukrainian borders have registered a high number of cigarettes smuggling cases, indicating that Ukraine continues to represent an important country of departure for cigarettes, mainly due to the very low prices available on the Ukrainian market. On the way to the more profitable markets in the Western Europe, cigarettes from Ukraine transit also through Republic of Moldova, which underlines that eastern European border is a point of interest for authorities in the region.

An important facilitator of the cross-border tobacco products illegal trade is the price difference practiced in the region. The high incentives in EU Countries compared to the low excise duties in some non-EU neighboring countries has created the main drive for cigarettes being smuggled in the region. Trafficking in tobacco products with heavy excise tax is highly lucrative because of the profits likely to be made, due to the difference between the purchase and selling prices. The prices in the illegal market are sufficiently low to allure a large number of buyers, but also high enough when compared to the purchase price, which makes it very profitable.

Indicators of tobacco products smuggling in Southeast Europe, such as the number of illicit cigarettes detected in our region, show a descending trend over the last three years. In 2018, all 11 Member States of SELEC considered together seized roughly 1.5 billion cigarettes, leading to a drop of 41% compared to 2016 and 61% from the level recorded in 2016, which stands to prove that the measures taken by law enforcement authorities in the region through their continuous effort have had a positive impact on this criminal phenomenon. However, due to reports of recent increases on excise duties for cigarettes and tobacco, with the possibility of even bigger profits made by the OCGs/individuals involved in this type of criminal activity, a slight increase of contraband can be envisaged in the near future. In particular, an upcoming ascending trend of tobacco and cigarettes smuggling is anticipated, and the existing methods of smuggling are also expected to improve and diversify, with an emphasis on smuggling by air (small aircrafts, drones).
The mild sanctions applied are one more facilitating factor for smuggling and illicit trade of tobacco products. Furthermore, the legislation differences between EU and non-EU Member States and the fact that the perpetrators face considerably lower risks compared to other types of crime are important factors which consequently lead to the expansion of this criminal activity.

At macro level, the geographical position of the countries in the region, at the convergence of continents and on important transport routes carrying high volume of goods through/into the region, together with the lack of advanced technologies in use by law enforcement authorities are amongst the key facilitating factors for cigarettes smuggling in Southeast Europe.

As a response to the measures undertaken by law enforcement agencies, the OCGs and individuals have become better organized, more cautious and even professional in their actions. OCGs are looking to hire professionals (ex-military pilots for small aircrafts), economic and legal advisers (adapting to legislative changes), IT specialists (Darknet), and former employees of tobacco companies.

Even if it hasn’t yet replaced the old-fashioned trade, online trade has seen an increase over the last couple of years. Darknet has become an important tool for criminals all over the world, representing an important facilitator in illicit goods smuggling by enabling innovative ways to buy products and equipment deemed necessary in the process. The anonymity provided by the Darknet, as well as location hiding techniques, poses great difficulties for law enforcement in identifying the offenders. Unfortunately, due to funding restrictions, there is not enough state-of-the-art technology implemented at national level law enforcement agencies. There is an urgent need for increased operational capacity in the field, and relevant training provided.

These challenges can be overcome with innovative solutions, such as advanced analytics solutions, network mapping, or data visualization software. They are powerful tools which can help law enforcement agencies in identifying emerging trends and patterns, or in anticipating future threats. Finally, exchanges of best practices, case studies, and investigative techniques shared regularly amongst experts from Member States would bring great value in combating the cigarettes and tobacco products smuggling, and the overall illicit trade.
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