

Project SUN

A study of the illicit cigarette market in the European Union, Norway and Switzerland

RUSI Analysis

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Project SUN



- **Estimates** the scale of the illicit trade in cigarettes in the EU, Norway and Switzerland using KPMG's quantitative methods;
- **Assesses** the nature and dynamics of illicit cigarette flows, from source to consumer countries;
- **Examines** five country case studies – Greece, Italy, Poland, Romania, Spain.



UK

December 2014

Publication of UK Study,
**'On Tap: Organised
Crime and the Illicit
Trade in Tobacco,
Alcohol and
Pharmaceuticals in the
UK'**

ITALY

July 2016

- One week fieldwork
- Additional research into the mafia
- Half-day workshop in Rome

SPAIN

February – April 2016

- One week fieldwork
- Operational research at the border with Gibraltar
- Half-day workshop in Madrid

EU

November 2015

Two-day conference,
**'Organised Crime and Illicit
Trade in Europe'**, bringing
together more than 70 officials
from Interpol, Europol, the
European Commission and
nine EU member states.

POLAND

November 2015 – January 2016

- One week fieldwork
- Operational research in Gdansk port
- Half-day workshop in Warsaw

ROMANIA

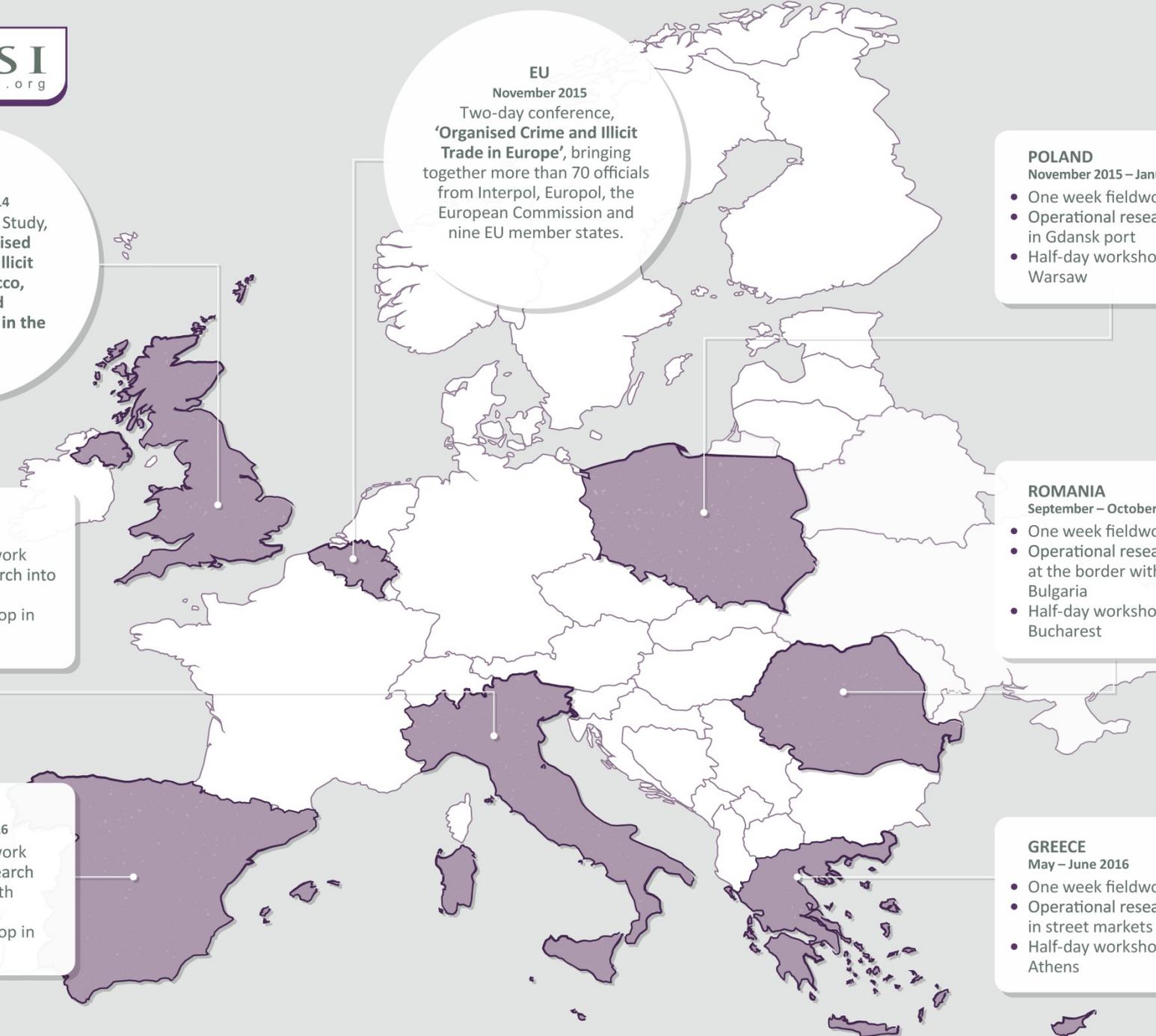
September – October 2016

- One week fieldwork
- Operational research at the border with Bulgaria
- Half-day workshop in Bucharest

GREECE

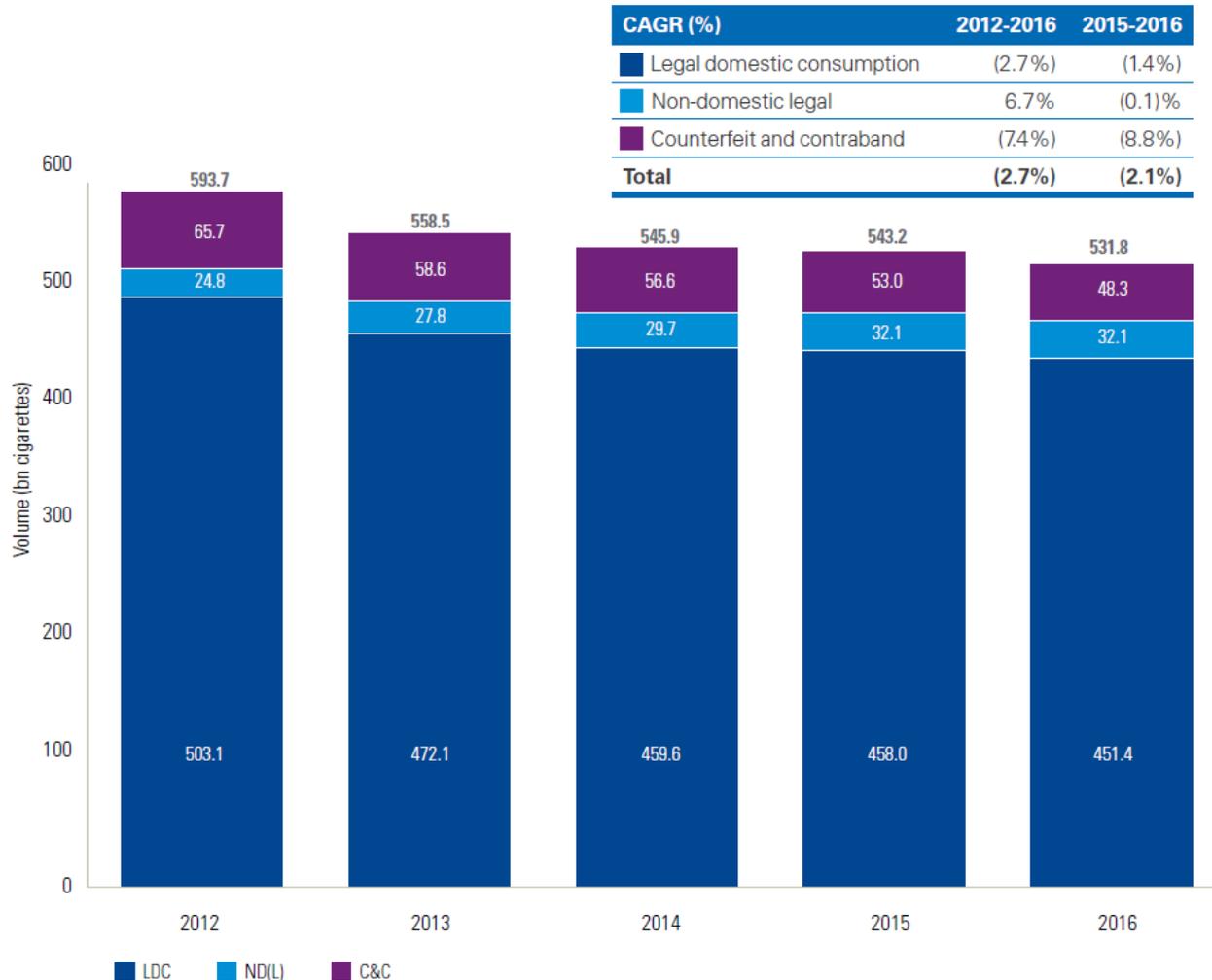
May – June 2016

- One week fieldwork
- Operational research in street markets
- Half-day workshop in Athens



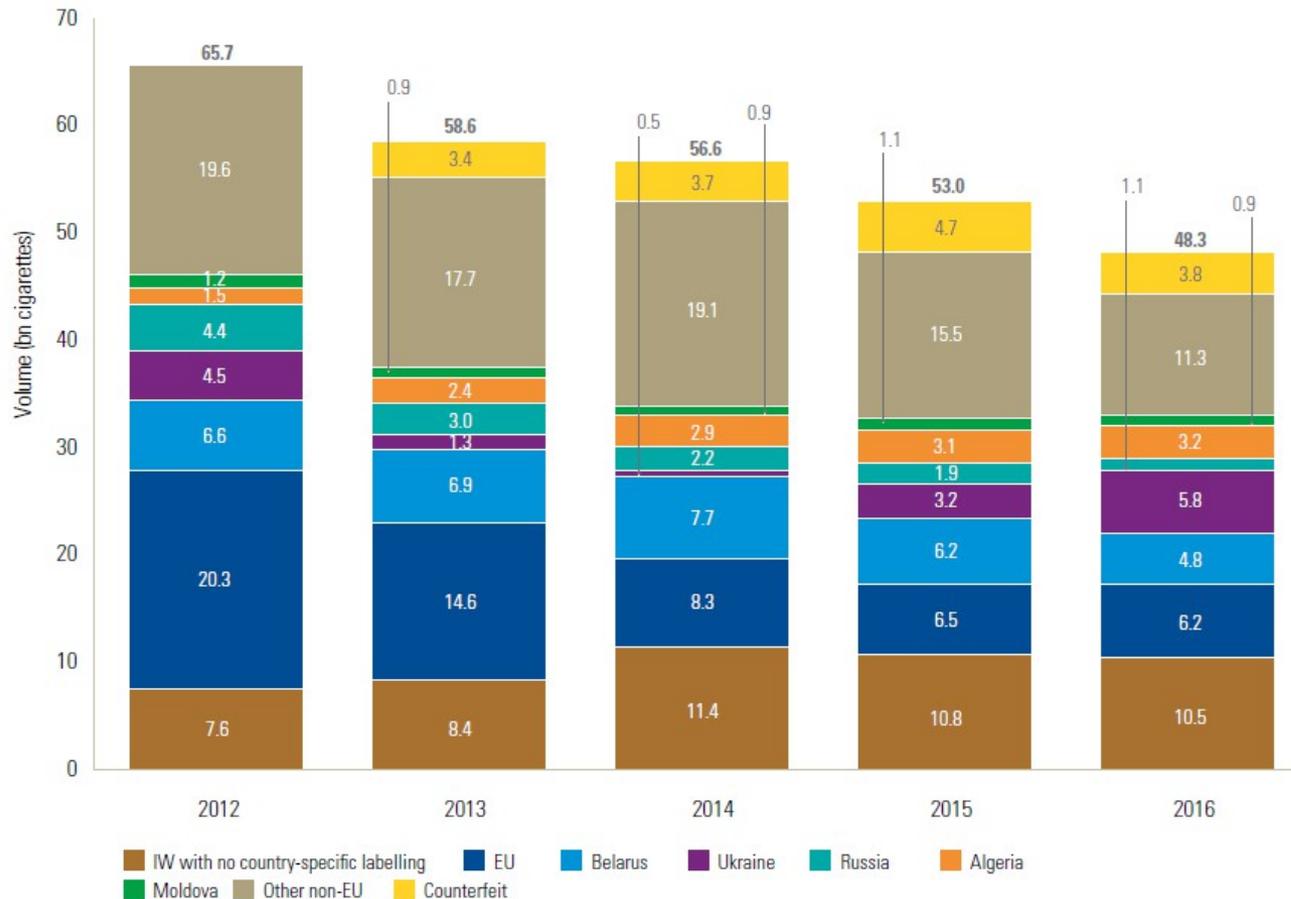
Scale of Europe's Illicit Trade in Cigarettes

Manufactured cigarette total consumption – 2012-2016⁽¹⁾



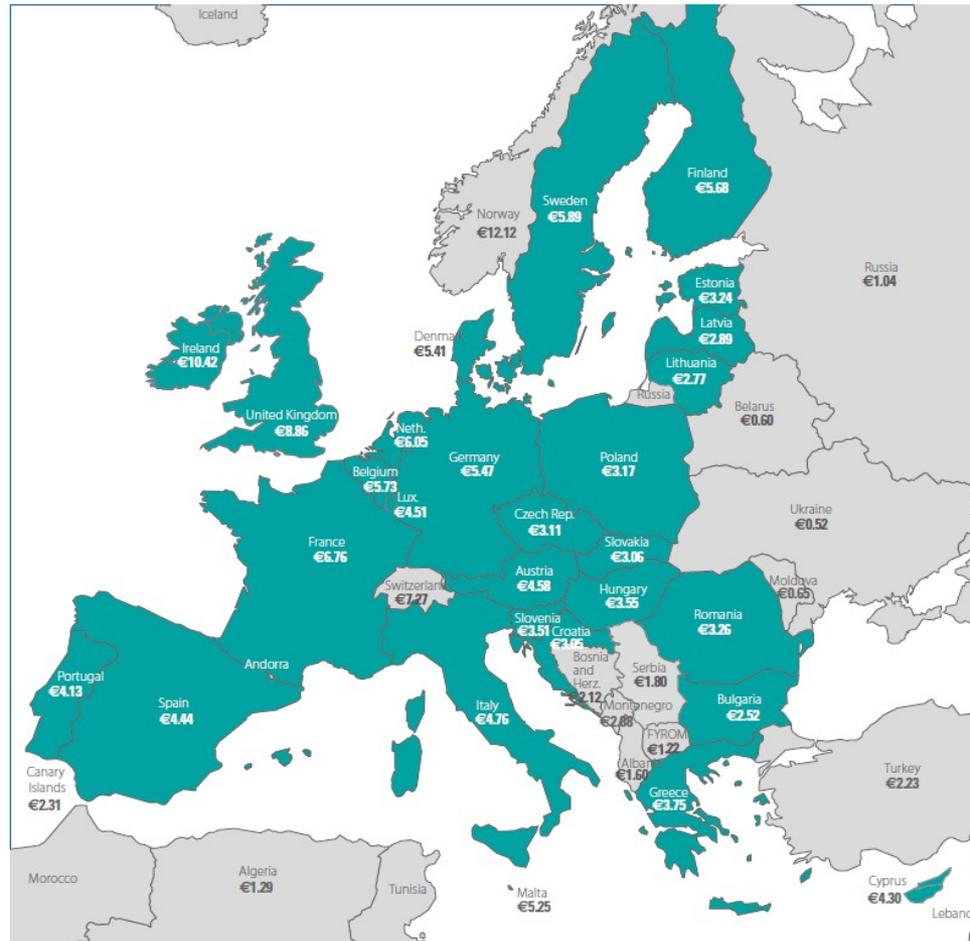
Source Countries of Counterfeit and Contraband (C&C)

Sources of C&C by volume, 2016⁽¹⁾



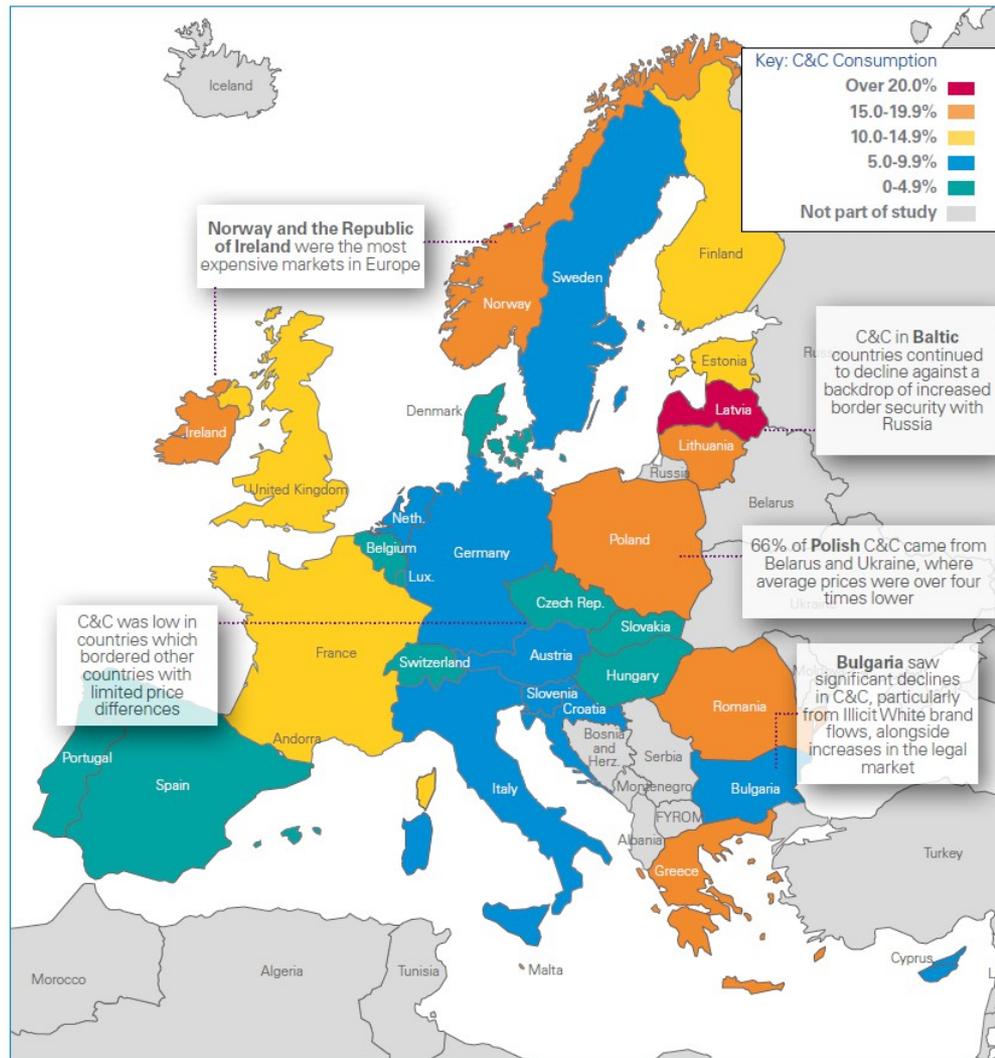
Source Countries of Counterfeit and Contraband (C&C)

Map denotes weighted average prices for a pack of 20 cigarettes – January 2017^{(1)(2)(a)}



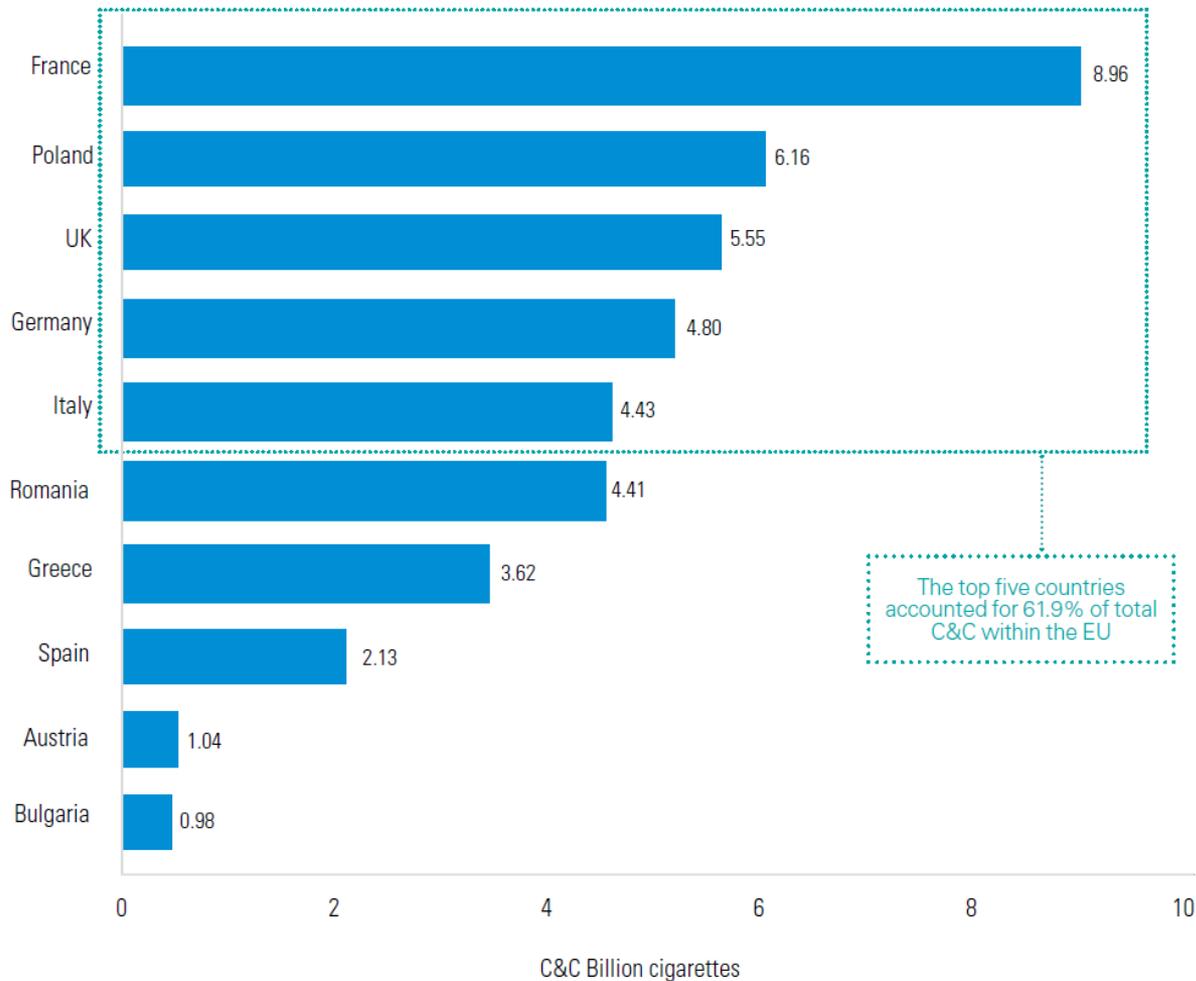
Key:
EU countries 
Non-EU countries 

Consumption of Counterfeit and Contraband (C&C)



Consumption of Counterfeit and Contraband (C&C)

Top 10 C&C countries by volume, 2016⁽¹⁾



Groups, Routes and Methods

- Law enforcement agencies have detected **overlaps with other organised crime activity**. In Spain, a 2014 operation by the Civil Guard seized more than 5 million illicit cigarettes from a network also involved in distributing counterfeit clothing and producing marijuana.
- There are also **overlaps between organised crime groups (OCGs) trading in illicit cigarettes and other commodities such as fuel, alcohol and pharmaceuticals**. In Poland, an illicit cigarette factory was discovered at the site of a former illicit alcohol factory. Both were run by the same group, with products distributed via the same network.

Groups, routes and methods

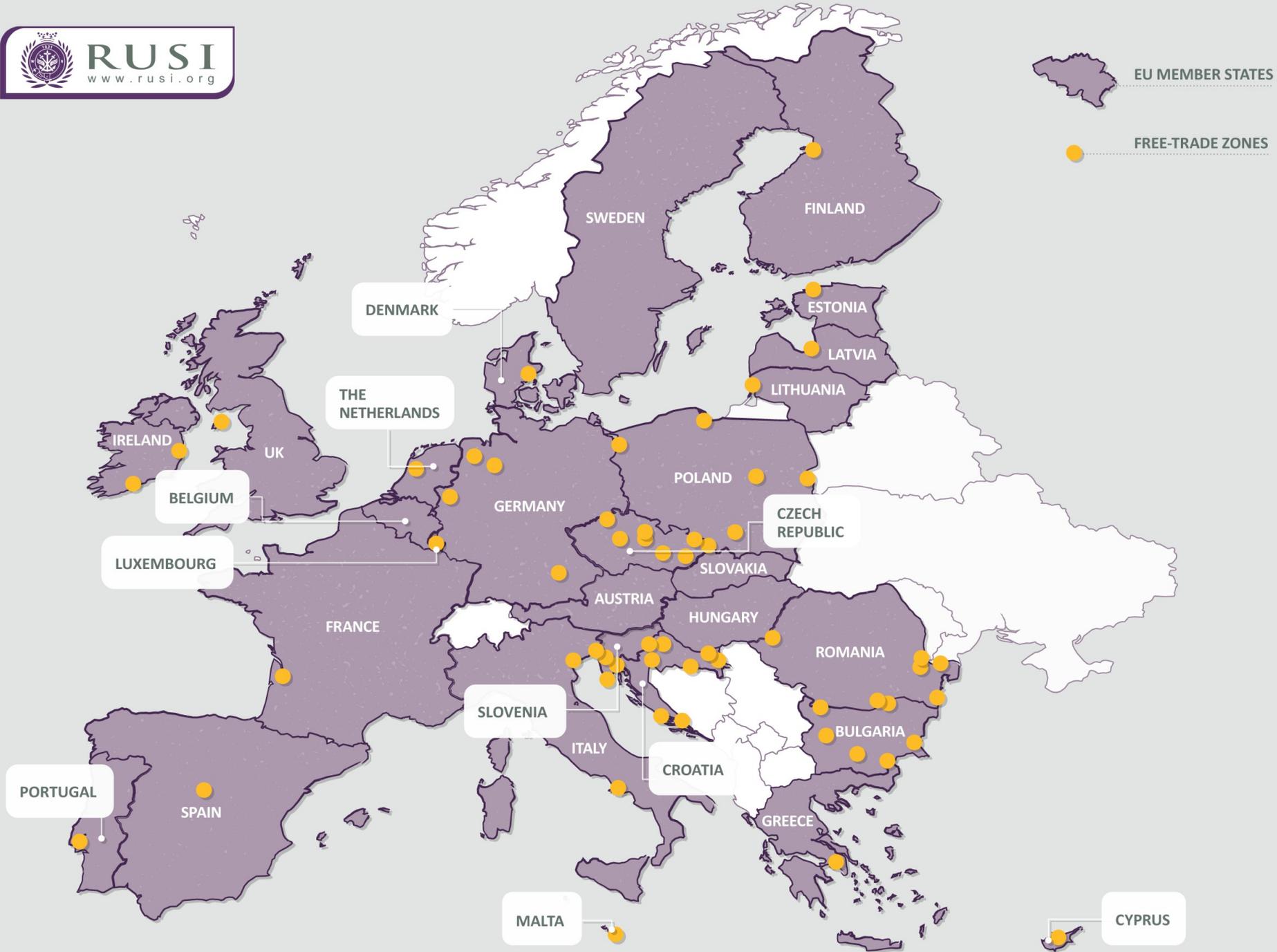
- OCGs adopt a **'little and often' approach to smuggling** in order to minimise loss in the event of detection and to operate under the radar of law enforcement. In Greece large cargo vessels stop just beyond Greek territorial waters, and feed smaller, faster boats which then smuggle contraband to small ports or isolated beaches.
- At borders, vessels are often searched based on their size and weight. Smuggling large numbers of small consignments minimises the risk of being searched.

Groups, routes and methods

- **OCGs use sophisticated methods to mask the goods being transported by sea or road**, such as using cover loads of legal products or switching the identifying markers on containers. In Romania, illicit consignments on trucks have been detected encased in cement blocks, concealed within hollow timber logs, or hidden under loads of rocks or gravel.
- **Smaller-scale trafficking** also occurs by road, with modified vehicles concealing products behind door panels, under seats or in the boot. There is also low-level pedestrian smuggling. In Spain, smugglers can be seen repeatedly crossing the border with Gibraltar, carrying one or two containers at a time.

Enablers

- **Corruption** at European borders is a critical enabler of the illicit trade. Corrupt officials allow OCGs to evade controls and breach the EU's outer defences.
- **The internet** has become a major enabler for the sale of illicit goods, with groups using professional websites or social media to sell directly to consumers. **Postal and courier services** are used to transport illicit products directly to consumers, allowing groups to send lower volumes of goods with greater frequency.
- **Free trade zones (FTZs)** allow legal and illicit businesses to manufacture, store and transport large quantities of goods with minimal oversight. FTZs are suspected of being major hubs for organised crime to re-document shipments, conceal their true origin, and even to **manufacture process**.



Response: Our Recommendations

- **Penalties should be strengthened.**
- Law enforcement agencies should **become more agile.**
- **Corruption** should become a major focus of EU agencies and member states.
- **Border enforcement is not enough:** investigation and disruption should also focus on **domestic activity**, such as illicit manufacturing and the use of postal services.
- **International standards and global regulation** should be established for FTZs.
- Public communication campaigns should address the social acceptability of illicit trade.