



BACKGROUND NOTE

**Delegation to Bulgaria border with Greece
and Turkey in the context of**

"EU external border"

CONT Delegation to Bulgaria

18-20 September 2013

09/09/2013

EN

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1. BACKGROUND INFORMATION ON BULGARIA

1.1. Basic Data

General map



Source: <http://www.ecoi.net/bulgaria/maps>

Bulgaria occupies the south-eastern part of the Balkan Peninsula. To the north, the Danube forms much of its frontier with Romania, to the west it has a mountainous border with Serbia and FYROM¹ and to the south its neighbours are Greece and Turkey. Eastwards, its beaches open on the Black Sea.

¹ The Former Yugoslav Republic of Macedonia

Total land area	110 910 km ²
Population	7.3 million (1 January 2013)
Capital	Sofia
Main cities (population)	Sofia (1.3 million) Varna (343,544) Plovdiv (339,077) Burgas (211,390) Ruse (165,882) Stara Zagora (159,537) Pleven (128,343)
Official language	Bulgarian (Indo-European language with Cyrillic alphabet, member of the Southern branch of the Slavic language family)
Ethnic groups	76.9 % Bulgarians, 8 % Turks, 4.4 % Roma, 0.1 % Russians, 0.1 % Armenians
Religion	59.4 % Orthodox, 9.3 % Atheism, 7.8 % Islam, 0.9 % Protestant
Currency	Lev (BGN) = 100 stotinki
GDP per capita (PPS)	47 % (2012)
Growth rate	0.8 % (2012)
Unemployment rate	12.6 % (June 2013)
Inflation rate	2.4 % (2012)
Time	GMT+2

Source: Eurostat and Europa World Plus

1.2. Political Structure Overview

Official name	Republic of Bulgaria
Form of state	Parliamentary democracy
Legal system	Based on the constitution adopted in 1991 (amended four times)
National legislature	National Assembly (the Bulgarian Parliament). It consists of 240 members elected through a closed-list proportional representation to serve four-year term
Electoral system	Universal suffrage over the age of 18 years
National elections	In February 2013, following violent protests against economic hardship and rising electricity prices, and a series of self-immolation throughout

	the country, BORISOV cabinet announced his resignation. Early legislative elections were held in May 2013
Head of State	President Rosen PLEVNELIEV (the fourth democratically elected President of Bulgaria) since January 2012
National government	The current government was appointed in May 2013 , with a relative majority of the centre-right party (GERB 30.6%). Former Prime Minister BORISOV (GERB) failed to form a government and a new coalition administration (KB), under the premiership of ORESHARSKI (BSP), was established.
Head of Government	Prime Minister Plamen ORESHARSKI (BSP) since May 2013
Main political parties	GERB - Citizens for European Development of Bulgaria KB - Coalition for Bulgaria (formed by four parties): BSP - Bulgarian Socialist Party PBS - Party of Bulgarian Social-Democrats ZS-AS - Agrarian Union "Aleksandar Stamboliyski" DSH - Movement for Social Humanism DPS - Movement for Rights and Freedoms ATAKA - Attack
National Assembly	GERB - 97 Members, KB - 84 Members, DPS - 36 Members, ATAKA - 23 Members
National Assembly Speaker	Mihail MIKOV (BSP) (since May 2013)
Key ministers	Agriculture and Food - Dimitar GREKOV Culture - Peter STOYANOVICH Defence - Angel NAYDENOV Economic Development - Daniela BOBEVA Economy and Energy - Dragomir STOYNEV Education and Science - Aneliya KLISAROVA Environment and Water - Iskra DIMITROVA MIHAYLOVA-KOPAROVA Finance - Petar CHOBANOV Foreign Affairs - Kristian VIGENIN Health - Tanya LYUBOMIROVA ANDREEVA-RAYNOVA Interior - Tsvetlin YOVCHEV Investment Planning - Ivan DANOV Justice - Zinaida ZLATANOVA Labour and Social Policy - Hasan ADEMOV Regional Development - Desislava TERZIEVA Transport, IT and Communications - Danail PAPAPOV Youth and Sports - Mariana VASILEVA GEORGIEVA
Administrative division	28 provinces ("oblasti") and 262 municipalities (administrative units with local self-government, "obshtini")

Source: Europa World Plus <http://www.europaworld.com/entry/bg>

1.3. Economy Overview

Bulgaria has come a long way from its turbulent political and economic transition in the 1990s to becoming an EU member in 2007.

In the decade preceding the EU accession, Bulgaria embraced difficult reforms to build macroeconomic stability and stimulate growth. It reduced public debt from over 70 % of GDP in 2000 to 16.3 % in 2012. In the same period per capita income as a share of the EU average increased from 28 % to 44 %.²

Table 3: Economic indicators for Bulgaria, 2007-2013

ECONOMIC KEY INDICATORS	2007	2008	2009	2010	2011	2012	2013
Real GDP Growth (%)	6.4	6.2	-5.5	0.4	1.8	0.8	0.9 ^f
Unemployment (av,%)	6.9	5.6	6.8	10.3	11.3	12.3	12.6*
Inflation (%)	7.6	12	2.5	3	3.4	2.4	2 ^f
Current account balance (% of GDP)	-27.2	-22.9	-8.8	-1.7	0.3	-1.5	-2.6
Fiscal balance (% of GDP)	1.2	1.7	-4.3	-3.1	-2	-0.8	1.3 ^f
Public debt (% of GDP)	21.6	17.2	13.7	14.6	16.2	16.3	18.5
Export of goods and services (% change)	12.2	12.7	-19.5	20.9	23.7	3.2	5.2 ^f
Imports of Goods and Services (% change)	16.8	14.5	-29.4	8.6	19.8	8.9	7.3

f = forecast * June 2013

Source: Eurostat

² World Bank <http://www.worldbank.org/en/country/bulgaria/overview>

Agriculture products	Wheat, maize, sunflower seed, barley, potatoes, tomatoes, grapes
Industry	Beer, wine, wheat flour, woven cotton and woollen fabrics, footwear, cement, electric energy, crude steel, lathes, fork-lift trucks
Mining	Lignite, gold, salt, kaolin, natural gas, bentonite, gypsum and anhydrite
Main export products	Petroleum products, metals, raw materials for the food industry, clothing and footwear
Main export partners	Germany, Turkey, Italy, Romania, Greece
Main import products	Mineral fuels, crude petroleum and natural gas, spare parts and equipment, machines, textiles, ores, food, beverages, tobacco
Main import partners	Russia, Germany, China, Italy, Greece, Romania, Turkey

Source: Europa World Plus <http://www.europaworld.com/entry/bg>

The rapid industrialization of Bulgaria since World War II and the economic transition it underwent with the demise of the communist regime had a profound effect on Bulgarian society. Liberalization of price controls in the early 1990s led to a marked rise in prices. As a result, inflation rose and strikes became more frequent. The growing pains of the private sector and the strict financial discipline required to ease the heavy foreign debt resulted in periods of high unemployment and decreased social services. The Bulgarian government pursued economic stability with the assistance of international financial institutions, and with the introduction of the currency board in 1997 and other reforms, inflation was strongly reduced by the end of the decade³.

Crime and corruption, and demographic decline **remain serious problems**. Among EU member states, Bulgaria is currently second only to Estonia in terms of the percentage of its population leaving the country. Despite these problems, however, the democratic process has survived, the media are unrestricted and individual liberties are, by and large, respected⁴.

In terms of GDP per capita Bulgaria is the poorest EU member state. Persistent problems such as organised crime, corruption and ineffective judiciary prevent accession to the EU's Schengen free-movement area⁵.

³ Britannica <http://www.britannica.com/EBchecked/topic/84090/Bulgaria/>

⁴ Europa World Plus <http://www.europaworld.com/entry/bg.hi>

⁵ IHS Global Insight <http://myinsight.ihsglobalinsight.com/servlet/cats?filterID=1122&serviceID=4078&typeID=60004&pageContent=report&pageType=ALL>

Agriculture

Agriculture accounts for about 6 % of the GDP.

Land for agricultural purposes in 2010 was around 50 % of the territory of Bulgaria.

The most commonly grown agricultural products are: wheat, corn, barley, rye, oats, soybeans and a **good quality Oriental type of tobacco**. Bulgaria is also a leading exporter of grapes and tomatoes. There is stock breeding of cattle, sheep, pigs and poultry.

In 1990 the government lifted restrictions on private farming, and almost all agricultural land was restored thereafter to private ownership while loans for the establishment of small farms and food-processing facilities were made available.

Industry

Industry accounts for over 30 % of the GDP.

Under the socialist system industrialisation become one of the principal aims of economic policy. Particular emphasis was put on basic industries such as electric power, metallurgy and chemicals. Since the 1960s food, beverage, tobacco processing and textile industries gained importance. Other important industries are fishing, fish breeding as well as wine production, which became an important export item.

Services

Services sector accounts for approximately 63 % of the GDP and employs over 50 % of the active workforce.

Bulgaria's services sector is mainly comprised of financial services and tourism⁶

⁶ Britannica <http://www.britannica.com/EBchecked/topic/84090/Bulgaria/>

2. BACKGROUND INFORMATION ON GREECE

2.1. Basic Data

General map



Source: <http://www.amb-grece.fr/grece/grece.htm>

Total land area	131 957 km ²
Population	11.3 million (2010)
Capital	Athens
Neighbours	Turkey, Bulgaria, the Former Yugoslav Republic of Macedonia (FYROM), Albania, Cyprus (maritime border)
Official language	Greek
Ethnic diversity	Greek (98 %), other 2 %
Religion	Greek orthodox (98 %), Muslim (1,3 %), other (0,7%)
Unemployment rate (%)	24,2 (2012)
Natural resources	lignite, petroleum, iron ore, bauxite, lead, zinc, nickel, magnesite, marble, salt, hydropower potential

Source: IHS Global Insight - Country Intelligence Report

2.2. Political Structure Overview

Official name	Hellenic Republic
Form of state	Parliamentary democracy
Legal system	Based on codified Roman law; judiciary divided into civil, criminal, and administrative courts
National legislature	Legislative powers are exercised by a unicameral parliament, the Vouli . It is composed of 300 members who are elected by universal mandatory voting, under a system of reinforced proportional representation for four years.
Electoral system	Universal suffrage over the age of 18 years
Head of State	President Karolos PAPOULIAS Papoulias is a former Panhellenic Socialist Movement (Panellinio Sosialistiko Kinima: PASOK) foreign minister, was elected president after being chosen as a consensus candidate in February 2005 and then again in February 2010 .
National government	The three-party coalition government emerged in the wake of the parliamentary election on 17 June 2012 . The coalition, led by Prime Minister Antonis Samaras , consisted of his conservative New Democracy (Néa Dimokratía: ND), the left-leaning Panhellenic Socialist Movement (Panellinio Sosialistiko Kinima: PASOK), and the Democratic Left (Dimokratiki Aristera: DIMAR). Initially, the coalition controlled 179 seats in the 300-member legislature, but its majority

	has since shrunk amid resignations or expulsions of MPs from the parties' ranks, and DIMAR's withdrawal , which reduced the government's majority to only three seats.
Prime Minister	Antonis SAMARAS. Samaras is leader of the conservative New Democracy (Néa Dimokratía: ND), assumed the prime ministerial post in June 2012 .
Deputy Prime Minister	Evangelos VENIZELOS (since June 2013)
Main political parties	New Democracy (Néa Dimokratía: ND) - The centre-right ND is currently the biggest party in parliament and the senior member of the three-party government Panhellenic Socialist Movement (Panellinio Sosialistiko Kinima: PASOK) - The centre-left party Coalition of the Radical Left (Synaspismós Rizospastikís Aristerás: SYRIZA) Independent Greeks (Anexartitói Ellines: ANEL) Communist Party of Greece (Kommounistikó Kómma Elládas: KKE) Golden Dawn (Chrysi Avgi: CHA) Democratic Left (Dimokratiki Aristera: DIMAR)
15th Parliamentary Term Composition	New Democracy (Néa Dimokratía: ND) - 127 Seats Coalition of the Radical Left (Synaspismós Rizospastikís Aristerás: SYRIZA) - 72 Seats Panhellenic Socialist Movement (Panellinio Sosialistiko Kinima: PASOK) - 28 Seats Independent Greeks (Anexartitói Ellines: ANEL) - 18 Seats Golden Dawn (Chrysi Avgi: CHA) - 18 Seats Democratic Left (Dimokratiki Aristera: DIMAR) - 14 Seats Communist Party of Greece (Kommounistikó Kómma Elládas: KKE) - 12 Seats Independent - 11 Seats
Hellenic Parliament Speaker	Evangelos - Vasileios Meimarakis
Key ministers	Prime Minister and Chairman of the Government: Antonis Samaras (ND). Deputy Prime Minister and Minister of Foreign Affairs: Evangelos Venizelos (PASOK). Minister of Finance: Ioannis Stournaras (Independent). Minister for Administrative Reform and e-Governance: Kyriakos Mitsotakis (ND). Minister of the Interior: Ioannis Michelakis (ND). Minister of National Defence: Dimitris Avramopoulos (ND). Minister of Development and Competitiveness: Kostis Hatzidakis (ND).

	<p>Minister of Infrastructure, Transport and Networks: Michael Chryssochoides (PASOK).</p> <p>Minister of the Environment, Energy and Climate Change: Yiannis Maniatis (PASOK).</p> <p>Minister of Education: Konstantinos Arvanitopoulos (ND).</p> <p>Minister of Culture and Sport: Panos Panagiotopoulos (ND).</p> <p>Minister of Labour, Social Security and Welfare: Ioannis Vrotsis (ND).</p> <p>Minister of Health: Adonis Georgiadis (ND).</p> <p>Minister of Rural Development and Food: Athanasios Tsafaris (Independent).</p> <p>Minister of Justice, Transparency and Human Rights: Charalambos Athanassiou (ND).</p> <p>Minister of Public Order and Citizen Protection: Nikolaos Dendias (ND).</p> <p>Minister of Tourism: Olga Kefalogianni (ND).</p> <p>Minister of Maritime Affairs: Miltiadis Varvitsiotis (ND).</p> <p>Minister for Macedonia and Thrace: Theodoros Karaoglou (ND).</p> <p>Minister of State at the Office of the Prime Minister: Dimitris Stamatis (ND).</p>
<p>Administrative division</p>	<p>From 1 January 2011 a restructured administrative system was introduced. Greece comprises seven decentralized administrations, 13 administrative regions (<i>perifereia</i>) and 325 municipalities. The administrative regions and municipalities are self-governed, and elections to them took place on 7 and 14 November 2010. The decentralized administrations are administered by a secretary-general appointed by the central government. The region of Mount Athos has autonomous status within the Republic, with an administrative body, the Holy Community (Ierá Kinótis), comprising representatives from the 20 sovereign monasteries.</p>

Source: Europa World Plus <http://www.europaworld.com>, IHS Global Insight - Country Intelligence Report and The Hellenic Parliament site (<http://www.hellenicparliament.gr/en/Organosi-kai-Leitourgia/Proedreio/Proedros/>)

2.3. Economy Overview

ECONOMIC KEY INDICATORS	2009	2010	2011	2012	2013 ^f	2014 ^f	2015 ^f
Real GDP (%)	-3.1	-4.9	-7.1	-6.4	-4.7	-1.8	0.9
Unemployment (av,%)	9.4	12.5	17.6	24.2	27.9	29.8	29.9
Consumer Price Index (%)	1.2	4.7	3.3	1.5	-0.4	0.1	1.3
Current account balance (% of GDP)	-11.2	-10.1	-9.9	-3.4	-1.7	-0.7	0.2
Fiscal balance (% of GDP)	-15.6	-10.7	-9.5	-10.0	-5.2	-4.1	-3.2
Public debt (% of GDP)	133.6	123.0	99.5	n/a	n/a	n/a	n/a
Imports of goods and services (% change)	-20.2	-6.2	-7.3	-13.8	-5.8	-1.9	0.3
Exports of Goods and Services (% change)	-19.4	5.2	0.3	-2.4	-0.3	1.3	3.0

f = forecast

Source: IHS Global Insight - Country Intelligence Report and OECD Country Statistical profile: Greece 2013

Main export partners	Turkey, Italy, Germany, Bulgaria, Cyprus, United States, United Kingdom, Macedonia, Libya and Lebanon
Main import partners	Russia, Germany, Italy, Saudi Arabia, Netherlands, China, France, South Korea, Libya and Iran

Source: IHS Global Insight - Country Intelligence Report

Greece is predominantly a mountainous country with arable land limited to the high planes in the central region of Thessalia and central Macedonia. These areas support **major cereal and other agricultural production**, while the more mountainous and island regions produce **vegetables, wine, and olives**. Fishing is of growing importance, as open-sea catches are increasingly replaced by cultured fishstock.

A number of **mineral deposits** exist in the country, most notably bauxite (aluminum ore). Other deposits include chrome, nickel, zinc, manganese, and gold.

Oil reserves exist within the country as well as extensive deposits of low-grade coal, although extraction has proved difficult. As such, mineral extraction is a relatively small proportion of total output.

Tourist attractions in the country are numerous, from the mountains of the north and the miles of coastline surrounding islands such as Corfu, Crete, Rhodes, and Skiathos to major cultural attractions such as those in Delphi or Athens.

Key Sectors

<p>Agriculture</p>	<p>At 7.3 % of total output, the country has one of the largest proportional agricultural sectors within the European Union (EU), employing as much as 11 % of the total labour force, although increasingly this is composed of migrant workers from neighbouring Albania, Macedonia, and Bulgaria. Indeed, in overall terms, Greece is a major producer of wheat, tobacco, and olives.</p>
<p>Manufacturing</p>	<p>A small sector in comparison to those of similarly sized European states, the manufacturing sector accounts for little more than 15 % of total output and is centered on the major urban centres. It is dominated by low value-added processes in textile and apparel manufacturing, food processing, and electronics assembly. Consequently, these sectors have suffered heavily from the continual erosion of Greek competitiveness, as well as the intensification of competition from lower-cost manufacturing bases in Eastern Europe and increasingly in Asia. Higher-tech telecommunications and ICT manufacturing have proved more resilient, however, and have emerged as the main source of growth for the sector in recent years. Shipping: Greece has one of the largest shipping fleets in the world, benefiting as it does from a long history of seafaring and a geographical location that puts it at the crossroads between Europe, Asia, and North Africa.</p>
<p>Tourism</p>	<p>Tourism is a major source of foreign-exchange earnings and plays a crucial role in supporting the country's numerous island economies. In total, it accounts for just under 15 % of the country's GDP and supports a similar proportion of the country's employment. There remains some concern that Greece could lose out as trends in European tourism move away from the package deals to which the Greek tourism sector is heavily geared.</p>

Source: IHS Global Insight - Country Intelligence Report

3. BACKGROUND INFORMATION ON TURKEY

3.1. Basic Data

General map



Source: www.geoatlas.com

Total land area	783 562 km ²
Population	73 639 596 (2011)
Capital	Ankara
Border countries	Armenia 268 km, Azerbaijan 9 km, Bulgaria 240 km, Georgia 252 km, Greece 206 km, Iran 499 km, Iraq 352 km, Syria 822 km
Languages	Turkish (official), Kurdish, Arabic, Armenian, Greek
Ethnic groups	Turkish 80 %, Kurdish 20 % (estimated)
Religions	Muslim 99.8 % (mostly Sunni), other 0.2 % (mostly Christians and Jews)
Natural resources	coal, iron ore, copper, chromium, antimony, mercury, gold, barite, borate, celestite (strontium), emery, feldspar, limestone, magnesite, marble, perlite, pumice, pyrites (sulfur), clay, arable land, hydropower

Source: IHS Global Insight - Country Intelligence Report

3.2. Political Structure Overview

Official name	Republic of Turkey
Form of state	Republican parliamentary democracy
Legal system	Civil law system derived from various European continental legal systems; accepts compulsory ICJ jurisdiction, with reservations
National legislature	Legislative power is vested in the unicameral Turkish Grand National Assembly (TGNA), which comprises 550 deputies. The election of deputies is by universal adult suffrage for a four-year term (reduced from five years, following an amendment in May 2007).
Electoral system	Universal suffrage over the age of 18 years
Head of State	President Abdullah Gül (took office in August 2007)
National government	The executive is formed by the Adalet ve Kalkınma Partisi (AKP).
Prime Minister	Recep Tayyip Erdoğan.
Deputy Prime Minister	Bülent Arınç, Ali Babacan, Beşir Atalay, Bekir Bozdağ.
Main political parties	<p>Adalet ve Kalkınma Partisi (AKP) (Justice and Development Party) Bağımsız Türkiye Partisi (BTP) (Independent Turkey Party) Barış ve Demokrasi Partisi (BDP) (Peace and Democracy Party) Büyük Birlik Partisi (BBP) (Great Unity Party) Cumhuriyet Halk Partisi (CHP) (Republican People's Party) Demokrat Parti (DP) (Democratic Party) Demokratik Sol Parti (DSP) (Democratic Left Party) Emek Partisi (EMEP) (Labour Party of Turkey) Genç Parti (GP) (Youth Party) Halkın Sesi Partisi (HAS Parti) (People's Voice Party) Halkın Yükselişi Partisi (HYP) (People's Ascent Party) İşçi Partisi (İP) (Workers' Party) Liberal Demokrat Parti (LDP) (Liberal Democrat Party) Millet Partisi (MP) (Nation Party) Milliyetçi Hareket Partisi (MHP) (Nationalist Action Party) Özgürlük ve Dayanışma Partisi (ODP) (Freedom and Solidarity Party) Özgür Toplum Partisi (OTP) (Free Society Party) Saadet Partisi (SP) (Felicity Party) Türkiye Komünist Partisi (TKP) (Communist Party of Turkey) Yurt Partisi (Homeland Party)</p>
Büyük Millet Meclisi (Grand National Assembly) Composition	Adalet ve Kalkınma Partisi (AKP) - 327 Seats Cumhuriyet Halk Partisi (CHP) - 135 Seats Milliyetçi Hareket Partisi (MHP) - 53 Seats Independents - 35 Seats

Key ministers	Minister of Foreign Affairs: Prof. Dr Ahmet Davutoğlu. Minister of Justice: Sadullah Ergin. Minister of Family and Social Policy: Fatma Şahin. Minister of European Union Affairs: Egemen Bağış. Minister of Science, Industry and Technology: Nihat Ergün. Minister of Economy: Mehmet Zafer Çağlayan. Minister of National Defence: İsmet Yılmaz. Minister of Internal Affairs: Muammer Güler. Minister of Development: Cevdet Yılmaz. Minister of Finance: Mehmet Şimşek. Minister of National Education: Nabi Avcı. Minister of Health: Dr Mehmet Müezzinoğlu. Minister of Transport, Maritime Affairs and Communications: Binali Yıldırım. Minister of Food, Agriculture and Livestock: Dr Mehmet Mehdi Eker. Minister of Customs and Trade: Hayati Yazıcı. Minister of Forestry and Water Works: Veysel Eroğlu. Minister of Labour and Social Security: Faruk Çelik. Minister of Energy and Natural Resources: Dr Taner Yıldız. Minister of Youth and Sports: Suat Kılıç. Minister of Culture and Tourism: Ömer Çelik. Minister of the Environment and Urban Planning: Erdoğan Bayraktar.
Administrative division	81 provinces

Source: Europa World Plus <http://www.europaworld.com>

3.3. Economy Overview

ECONOMIC KEY INDICATORS	2009	2010	2011	2012	2013 ^f	2014 ^f	2015 ^f
Real GDP (%)	-4.8	9.2	8.8	2.2	3.2	4.7	4.9
Unemployment (av,%)	12.5	10.7	8.8	8.1	8.6	8.8	-
Consumer Price Index (%)	6.3	8.6	6.5	8.9	7.3	5.8	4.9
Current account balance (% of GDP)	-2.2	-6.4	-9.9	-5.8	-6.8	-7.2	-
Imports of goods and services (% change)	-14.3	20.7	10.7	0	5.8	8.0	-
Exports of Goods and Services (% change)	-5.0	3.4	7.9	17.2	4.8	7.3	-

f = forecast

Source: IHS Global Insight - Country Intelligence Report and the "European Economic Forecast - Spring 2013 - European Commission

The main **export markets for Turkey in 2011** were Germany (10.3%), Iraq (6.2%), the United Kingdom (6.0 %), Italy (5.8 %) and France (5.0 %).

The leading sources **of imports in that year** were Russia (9.9 %), Germany (9.5 %), Republic of China (9.0 %), the USA (6.7 %), Italy (5.6 %), and Iran (5.2 %).

Agriculture

Turkey relies substantially on agriculture. It is the largest producer and exporter of agricultural products in the Middle East and North Africa. In 2011 the agricultural sector accounted for 25.5 % of total employment.

The principal agricultural exports by value are hazelnuts, cotton, **tobacco**, grapes and citrus fruits. Other important crops are barley, sunflower and other oilseeds, maize, sugar beet, potatoes, tea, and olives.

Agriculture's share of GDP was 9.5 % in 2010 and 9.2 % in 2011.

Turkey **produces what is regarded as a particularly fine type of tobacco for consumers**. The three principal producing regions are the **Aegean district, the Black Sea coast and the Marmara-Thrace region**. The bulk of the crop is produced in the Aegean region, where the tobacco is notable for its light golden colour and mild taste. The finest tobacco is grown on the Black Sea coast, around Samsun. Most of Turkey's tobacco exports go to buyers in the USA and Eastern European countries.

Mineral and mining

Turkey has a diversity of rich mineral resources, including significant quantities of bauxite, borax, coal and lignite, chromium, copper, iron ore, manganese and sulphur. The mining and quarrying sector employed some 134,000 workers in 1999.

The size of the work-force employed in the sector declined to 83,000 in 2003, before increasing again, to 119,000 in 2005 and 128,000 in 2006 and 2007. In 2010 the size of the sectorial work-force decreased to 115,000, but it increased slightly, to 125,000, in 2011. In that year the sector's share of GDP, at 1.7 %, was negligible, and it engaged only 0.5 % of the employed population.

Similarly, the share of mining and quarrying exports in total export earnings also remained low, at approximately 0.3 % in 2011. In contrast, mainly due to oil purchases, the share of mining and quarrying products in the total import bill was 21.1 % in that year. Imports of oil and raw materials are major contributors to Turkey's persistently high current account deficit.

Turkey is one of the world's largest producers of chromite (chromium ore).

Tourism

Tourism is one of Turkey's fastest growing industries and is an important source of foreign currency. Between 2009 and 2011 the average number of foreign visitors was approximately 29m., and average tourism revenue was \$21,600m. In 2011 the major countries of origin were Germany (15.4 % of total arrivals), Russia (11.0 %), the United Kingdom (8.2 %) and Iran (6.0 %).

4. CUSTOMS UNIONS⁷

The Customs Union is the basis of the European Community and one of the pillars of the internal market with crucial role in the dynamically changing present days. Under the conditions of growing international trade, global threats such as terrorism, organized crime and climate changes, Customs have a major importance for internal market protection and for ensuring the safety and security of citizens. Yet Customs keep the balance between the protection of the interests of the Community and its citizens and ensuring the smooth flow of trade through facilitating the economic operators' business.

In order to be relevant to the modern world and to meet the growing expectations of the economic operators, EU Customs administrations initiated an ambitious reform, which until 2013 will result in amendment to the customs legislation and creation of paperless environment, including the links between Customs and trade as well as between all EU customs offices, between them and other public bodies related to the supply chain.

4.1. The National Customs Agency of Bulgaria⁸

The National Customs Agency is a centralized administrative structure with the Minister of Finance. The Agency is structured in Central Customs Directorate and regional customs directorates in Bourgas, Varna, Plovdiv, Rousse and Sofia. The regional customs directorates are managed by directors, who are directly responsible for the activity of the respective regional customs administrations.

As regards to **fight against customs and currency violation**, the National Customs Agency published the following data for 2002-2006 period:

Detected violations: 63 328 customs, 1 137 currency and 132 Excise Act-related cases

Of **which 23 427 with high public risk (smuggling, customs fraud, deviation of goods from customs procedure)**

Average of 35 revealed violations per day, of which 13 high public risk cases

Regarding **good smuggling and customs fraud by types of products (2002-2006 period)**:

- **9 022 prevented attempts to smuggle cigarettes, cigars and cigarillos with a total of 144 564 650 pieces seized**
- 778 kg of impounded products made of precious metals and foreign currency worth to 17 887 291 levs seized
- A total of 563 430 forged euros and 774 150 forged dollars seized in 94 cases
- Over 87 prevented attempts for illegal export of cultural valuables
- 112 revealed cases of illicit trafficking in arms and ammunitions with 82 237 items seized in total
- 380 revealed cases customs fraud of approximately 6 542 tons of meat and products thereof
- 161 revealed violations involving fuels - more than 22 000 tons
- Thousands of revealed violations covering other commodities, such as electronics, textile, spirits, chemical agents, foodstuffs, fruits and vegetables, etc.

⁷ Strategy of the National Customs Agency 2010-2013 - <http://www.customs.bg/en/page/150>

⁸ The National Customs Agency of Bulgaria in Figures and Facts (2002-2006) - <http://www.customs.bg/en/page/14> -

The infrastructure and customs control equipment are:

- New border crossing points opened at Lessovo and Ilinden BCPs
- New customs offices opened at Obelya, Radinovo and Troyan COs
- **Reconstruction and upgrade of Kalotina, Kulata and Kapitan Andreevo BCPs; Vidin Ferry Complex BCP; Custom House of Bourgas; Custom House of Varna; Kazanlak, Stara Zagora and Gorublyane COs**
- Thorough checks and refrigerator facilities built at Bourgas West Port, Malko Tarnovo and **Kapitan Andreevo BCPs**
- New Central Customs Directorate administrative building, customs terminal and warehousing facility at Kulata, Customs Canine School in Balchik, as well as an administrative building of Gyueshevo BCP
- 9 mobile and portable x-ray scanners
- 19 stationary x-ray scanners
- 13 search kits
- 17 endoscopes
- 25 radiation pagers
- Other equipment such as drug detectors x-ray dosimeters, document scanners, IR camera, electronic scales, etc.
- 12 fork lift and motor cars

4.2. Kapitan Andreevo Border Crossing Point⁹

Kapitan Andreevo is one of the largest border crossings in Europe. Similar to all border crossing stations in Bulgaria, there are **six different border control agencies working at Kapitan Andreevo**. The structure and organization of the Kapitan Andreevo crossing point is the following:

- 3 customs offices
- And customs officers are organized in groups performing different functions: a TIR carnet department, a department for combating smuggling, regular customs control department and drug trafficking department.

Kapitan Andreevo is the junction of the most significant drug trafficking route through the country, from Turkey to Western Europe.



⁹ Transportation, smuggling and organised crime - Center for the Study of Democracy - 2004

In January 2013, the Ministry of Finance of the Republic of Bulgaria published the following press release about the rehabilitation of **Kapitan Andreevo** border check point:

The Deputy Prime Minister and Minister of Finance Simeon Djankov will inspect today the process of the overall rehabilitation of Kapitan Andreevo border check-point and the construction works of a 3.4 km access road to the border check-point which is part of Maritsa motorway. The Ministry of Finance is the Contracting Authority under the Second Trade and Transport Facilitation Project (TTFSE II) which is funded by the International Bank for Reconstruction and Development and co-financed by the state budget.

Rehabilitation takes place in two stages taking account of traffic seasonality in the conditions of ceaseless operation of the border check-point. After finishing the works, the border check-point along with the connection to Maritsa motorway will ensure better working conditions, facilitated crossing of both commercial and private traffic and a better traffic capacity. During his inspection Minister Djankov will also visit the Turkish part of the border check-point.

Source: <http://www.minfin.bg/en/pubs/1/7540> - 11 January 2013

In April 2011, Bulgaria, Greece and Turkey built a Joint Contact Centre for Police, customs operation, at **Kapitan Andreevo**:

A joint contact centre for police and customs cooperation among Bulgaria, Greece and Turkey will be built at the Bulgarian Kapitan Andreevo border checkpoint, the press office of the government announced.

The project comes under an agreement made after today's sitting of the cabinet.

The centre will be managed by coordinators (one from each country) and will provide exchange of information in real time, with a focus on illegal migration and human trafficking; crimes and violations connected to ID documents; drug trafficking; arms trafficking; cigarette smuggling; smuggling in general and others.

Source: Customs E-Newspaper - <http://www.mitnici.eu/en/?action=n&id=7009> - 20-04-2011

4.3. Kapitan Andreevo and Corruption

The "Center for the Study of Democracy" published a document entitled "Corruption among border guards"¹⁰ in which the following border areas in Bulgaria have increased vulnerability to corruption:

Bulgaria	BcpS: Kapitan Andreevo, Lesovo, Kulata, Kalontina, Ilinden, Sofia airport, Burgas airport, Varna airport, green borders with Serbia and FYR macedonia
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¹⁰ "Corruption among border guards" - Center for the Study of Democracy - 2012.
<http://www.csd.bg/artShow.php?id=16109>

And recently (May 2012), the "Regional Anti-corruption initiative" published the following article regarding Kapitan Andreevo:

More than **30 customs officers** were arrested in the frames of a special operation dubbed Customs carried out at the **Kapitan Andreevo** border checkpoint. The operation targeted racketeering of passengers crossing the border checkpoint. Authorities found different currencies – euro, US dollars and Turkish liras.

"During the investigative and legal proceedings and the search in the pockets of the chief customs officer and the customs expert on duty, authorities found total sum of money of around BGN 14,000. They gave a strange explanation, saying that part of the money was found in the lavatory of the customs checkpoint," Tsvetanov added.

The minister informed further that smaller sums of money were found carried by the other customs officers from the same shift.

The Prosecution Office and the Interior Security Department with the Interior Ministry think that the smaller sums were parts of the total sum earned during the shift and then divided among the people involved in the crime after the end of each shift.

Interior Minister Tsvetan Tsvetanov added for FOCUS News Agency that authorities have also found **21 cartons of cigarettes without excise stamps**.

The special operation dubbed Customs started last night and caused a slight delay in the processing of the passengers' flow at **the Kapitan Andreevo border checkpoint**. The initial investigation before the operation was launched took more than 3 months. The Customs operation targeted a vicious practice of racketeering of the passengers and shipping agents crossing the **Kapitan Andreevo** border checkpoint.

"More than BGN 15,000 was seized in the frames of the special operation dubbed Customs, carried out last night at the Kapitan Andreevo border checkpoint," said Nikolay Kokinov, Prosecutor of Sofia City, speaking with FOCUS News Agency.

The operation targeted racketeering of passengers crossing the border checkpoint. Kokinov added that more than **30 people were arrested**.

"The 24-hour restraining order has not expired yet. We will judge whom to keep under arrest and press charges. The confiscated sums of money are about to be officially accounted and reported and authorities are to ascertain the role of each of the officers in the crime scheme," Nikolay Kokinov said further.

He added that the preparation works ahead operation took few weeks, while the investigation was launched several months ago.

"Uprooting the corruption practices is a major priority, policy and goal of the National Customs Agency (NCA) over the last three years. This is a categorical and unconditional principle of the NCA management, which will fully assist to the competent authorities in the solution and investigation of all crimes, which are conflicting with the anti-corruption positions and practices in the customs administration," said NCA Director Vanyo Tanov, commenting on the special operation dubbed Customs carried out last night at the Kapitan Andreevo border checkpoint, the press office of the NCA announced, Tanov determined the operation a proof for the need of the structural reform which is underway in the customs administration and thanked the law-enforcement authorities for the support in the efforts in the fight against illegal practices in the Bulgarian customs.

Source: The Regional Anti-corruption initiative - FOCUS Information Agency 03/05/2012 - <http://www.rai-see.org/news/south-eastern-europe/3124-bulgaria-special-operation-against-passengers-racketeering-at-kapitan-anrdeevo-border-checkpoint.html>

4.4. Ipsala Border Crossing Point¹¹

The borderline between Greece and Turkey is 192,5 km long of which 12,5 km are land-borders and 180 km are marked by the river Evros.

There are 3 border crossings: **Kipi-Ipsala (Motorway, Major Gate)**, Ormenio and Pythio-Uzunkoprou (railway).

The Kipi border crossing is the eastern starting/ending point of European route E90, which is also the Greek Motorway A2, known as Egnatia Odos. The motorway connects to Turkish Highway D110.

The checkpoint of Ipsala is increasing its importance.

Frontex has stated that the border in 2010 covered up for 90% of the undocumented migration to Europe.

With funds from the World Bank, **8 X-Ray systems** were procured to the Turkish Customs Union. Five of them which are also X-Ray systems were procured in the framework of EU Pre-Accession Financial Aid Programme in 2007 and started to operate in 2008. The locations of these 8 systems are Kapıkule (Bulgaria), **Ipsala (Greece)**, Habur (Iraq), İstanbul Ambarlı Seaport, Samsun Seaport, Izmir Alsancak Seaport, Mersin Seaport and Gurbulak (Iran). One Gama Ray system is used in İstanbul Pendik Seaport.

5. CIGARETTE SMUGGLING¹²

Another phenomenon which influences the EU budget negatively is cigarette smuggling. There are two types of cigarette smuggling in the EU: smuggling with contraband cigarettes and smuggling with counterfeit cigarettes.

Contraband Cigarettes: cigarettes that have been imported into, distributed in, or sold in, the territory of a Member State (or where en route to the Territory of a Member State for sale in that Member State) in violation of the applicable tax, duty or other fiscal laws of that Member State or the EU.

Counterfeit Cigarettes: cigarettes bearing a Trademark of a cigarette manufacturer that are manufactured by a third party without the consent of that cigarette manufacturer (the so called fake cigarettes). Counterfeit cigarettes shall in no event include:

- i) Cigarettes manufactured by the trademark holder or any affiliate thereof, regardless of the actual or intended market of distribution;
- ii) Cigarettes bearing a trademark of a cigarette manufacturer using tobacco either produced by or sold by that cigarette manufacturer;

¹¹ Euborderregions Newsletter 3 - June 2012 - www.nordregio.se

¹² How does organised crime misuse EU funds?- 2011 - EP Study

-) Cigarettes bearing a trademark of a cigarette manufacturer that are packaged in genuine packaging of that cigarette manufacturer, including genuine cartons and packs of that cigarette manufacturer.

Since the European Communities have a Common Customs Tariff, contraband affects the collection of customs duties to the detriment of the Communities' financial interests through its impact on own resources. Cigarette smuggling causes a loss in excises and duties for Member States, which are part of the EU resources. This budget directly finances the legislative and democratic activities of the European Institutions.

Cigarette smuggling requires the construction of supply and distribution chains which can, by definition, be classified as organised crime. The international nature of cigarette smuggling results in formal and informal links between criminal groups in different geographical locations. Given the high taxes and excise duties of the goods involved, and the profits generated, perpetrators must also become involved in other types of serious crime, for example protecting themselves through extreme violence and money laundering¹³.

It is difficult to evaluate the magnitude of cigarette smuggling¹⁴, but it is well-known that cigarette smuggling is widespread and well organised. Cigarette smuggling is a growing problem worldwide, which is costing thousands of millions of dollars globally in lost tax revenue¹⁵. Because a certain amount of excises and duties of Member States are a means of resource for the EU general budget, the EU is indirectly affected too. Annual losses of revenue in the European Union can be estimated, on the basis of seizures of cigarettes notified by the Member States, at about EUR 10 billion per year, of which about 10 % would be revenue for the European Union budget. Also, it is estimated that about 65 % of the seized cigarettes are counterfeit¹⁶.

According to Europol: "The smuggling of contraband cigarettes and counterfeit cigarettes is a process throughout Europe. The routing of cigarettes is often a complex process which abuses the free movement of goods in the EU and changes constantly. Italy plays an important role in cigarette smuggling." Italian organised crime cooperates with foreign criminal groups to smuggle both genuine and counterfeit cigarettes to Italy and the EU. Currently around half of all cigarettes seized in Italy are counterfeits and there are indications that counterfeit cigarettes are currently introduced relatively aggressive into the EU markets.

In any case, Greece, Dubai, China and Poland/East Europe play important roles in supplying cigarettes either for the Italian market or through Italy to the other EU countries. These countries do not necessarily produce the cigarettes but are rather used as transit points towards the north of Europe.

¹³ OLAF's official contribution to the study on *How does organized crime misuse EU funds?* 13 May 2011.

¹⁴ Van Heuckelom, C., Europol: Smoke, Europol's fight against the illicit tobacco trade, AWF smoke presentation to illegal trade excise conference, p. 26, <http://www.slideshare.net/illegalehandel/awf-smoke-presentation-to-illegal-trade-excise-conference-2>

¹⁵ Joossens, L. and Raw, M. Cigarette smuggling in Europe: who really benefits?, International Union Against Cancer, EU Liaison Office, Brussels, Belgium, p.66, <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1759658/?tool=pubmed>

¹⁶ Europa - Summaries of EU legislation - Contraband and counterfeit cigarettes: frequently asked questions, MEMO/10/448, 27.09.2010 - <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/448&type=HTML>

Community customs procedures can be extensively abused for criminal ends: cigarettes may be imported into the EU and placed in Community transit; after this, the transit procedure may be changed into export procedure so that the cover load (often consisting of low-value goods such as counterfeit products) is exported but the counterfeit cigarettes stay in the EU; alternatively the cigarettes may be legally exported and then smuggled back into the EU and redirected to the relevant black markets¹⁷.

Other organised crime groups which are involved in cigarette smuggling are Lithuanian groups. They redirect and traffic cigarettes from the east towards the west. Besides cigarette smuggling, these groups are involved in trafficking women for sexual exploitation, illegal immigrants, counterfeit goods, synthetic drugs precursors and heroin¹⁸.

The European Commission published a Communication to the Council and the European Parliament regarding **"Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products - a comprehensive EU strategy"**. The Communication is presented in Annex A.

5.1. Cigarette smuggling in Bulgaria

The "Customs E-newspaper" published two articles regarding cigarette smuggling in Bulgaria:

Bulgaria customs bust 14kg of smuggled tobacco hidden in detergents

04-09-2013 | Customs Svilengrad

Bulgarian customs officers seized large amount of smuggled tobacco during a check on a Bulgarian car travelling from Turkey to Bulgaria.

Authorities checked the luggage of the two passengers – a 34-year-old Bulgarian woman and her 17-year-old son. The bags were full of big packages of laundry detergents and big tubes of cleaning agents. In four of the detergent packages customs officers found well-packed and hidden bags full of a total of 14 kilos of cut tobacco.

The seized amount to contraband tobacco is enough for the making of 14,000 pieces of cigarettes. The unpaid excise duty on the illegal tobacco is BGN 2,128.

The mother and her son were drawn statements for violations under the customs act for transporting tobacco above the set limit of 50 grams.

Source: Customs E-Newspaper - <http://www.mitnici.eu/en/?action=n&id=10796>

¹⁷ Europol, EU Organised Crime Threat Assessment 2009 (OCTA), The Hague, 2009, p.33,

[http://www.europol.europa.eu/publications/European_Organised_Crime_Threat_Assessment_\(OCTA\)/OCTA2009.pdf](http://www.europol.europa.eu/publications/European_Organised_Crime_Threat_Assessment_(OCTA)/OCTA2009.pdf)

¹⁸ Europol, EU Organised Crime Threat Assessment 2009 (OCTA), The Hague, 2009, p.30, [http://www.europol.europa.eu/publications/European_Organised_Crime_Threat_Assessment_\(OCTA\)/OCTA2009.pdf](http://www.europol.europa.eu/publications/European_Organised_Crime_Threat_Assessment_(OCTA)/OCTA2009.pdf)

179kg of tobacco seized at Kapitan Andreevo

11-07-2013 | Customs Svilengrad

Hours before the protest of the tobacco producers customs inspectors at the Kapitan Andreevo checkpoint foiled an attempt of smuggling large amount of tobacco for smoking.

In a thorough check on a bus travelling from Turkey to Romania authorities found 3 big and 2 smaller packages full of tobacco. They were put in black plastic bags, covered up under the personal luggage of 13 passengers.

The total weight of the tobacco is 170 kilos. It did not have an excise stamp. This amount of tobacco is enough for the making of 170.000 pieces of cigarettes, while its value of the unpaid excise duty is estimated at BGN 25,500.

Source: Customs E-Newspaper - <http://www.mitnici.eu/en/?action=n&id=10679>

5.2. Tobacco smuggling actions on the borders Bulgaria (BU)/Greece (GR) and Turkey/Bulgaria (BU)¹⁹

In 2012 law enforcement authorities in the EU reported seizures of cigarettes to OLAF totalling 3.8 billion illegal cigarettes. The current economic loss to the budgets of the Member States and the EU through the illicit trade in cigarettes is currently estimated to exceed €10 billion annually.

Greece is an important entry point for cigarettes that are smuggled into the EU.

The cigarettes generally arrive in Greece in sea containers coming from China or from ports with customs free zones such as Jebel Ali in the United Arab Emirates and Port Said, Damietta or Alexandria in Egypt. The cigarettes are mis-declared with a cover load or are illegally imported via small cargo vessels, fishing vessels and yachts which are loaded with cigarettes in bulk; several OLAF cases are opened in relation to this issue.

The majority of cigarettes seized are so called "cheap whites".

One of the main problems faced by the EU is the growing illicit market in so called "cheap white" cigarettes. These are cigarettes that are legally produced generally in countries outside the EU (although there is no, or at least a very limited market in the country of production) and are then sold to traders who transport them to the EU where they are sold illegally without paying taxes. Several production facilities for these cheap whites are located in the United Arab Emirates but also some of the brands are produced in the EU (Greece, Cyprus and Croatia).

The **GR/BU border** is a main route for the transit of smuggled cigarettes from Greece to the northern EU Member States.

¹⁹ Information provided by OLAF

In the past OLAF has dealt with several cigarette smuggling cases related to this route.

- a case code named "DODGE" involving cigarette smuggling from Greece to Bulgaria with Germany as the possible final destination.

- a case code named "MOROSINI" involving large amounts of cigarettes (around 127.000 million cigarettes), mainly the brand "Jin Ling", which were legally produced by a legitimate Greek manufacturer and destined for a company in Finland. These cigarettes were loaded onto 24 trucks which never arrived at the declared destination. Investigations carried out by OLAF in close cooperation with the **Greek Customs** authorities revealed that most of the trucks from Greece entered Bulgaria by road and it is considered likely that the cigarettes were illegally sold on the German black market.

In general, cooperation with Bulgarian AFCOS is very good. They provide OLAF with detailed reports on criminal organisations dealing with cigarette smuggling, means of transports used in this field and various systems of fraud.

Recently OLAF opened investigation/coordination cases based upon information supplied in the Bulgarian reports and in their requests for assistance.

It should also be mentioned that **Turkey** also has a very significant cigarette smuggling problem. More than 40 % of the illicit market in Turkey is "Prestige" brand cigarettes which are produced by BULGARTABAC in Sofia, Bulgaria. The cigarettes are exported to Iraq and are smuggled back into Turkey.

In relation to this problem OLAF has coordinated investigations in **Turkey and Bulgaria**. The cooperation with Turkish Customs has, to date, been excellent. There is an almost daily exchange of information. This information exchange has led to seizures of cigarettes and counterfeit goods in the EU.

Seizures made in Greece as reported by the Greek authorities to OLAF:

2010: 543.950 million cigarettes

2011: 744.110 million cigarettes

2013: 89.140 million cigarettes

Seizures made in Bulgaria as reported by the Bulgarian authorities to OLAF:

2010: 157.770 million cigarettes

2011: 165.240 million cigarettes

2012: 83.700 million cigarettes

6. HERCULE III PROGRAMME²⁰

The file on the **Hercule III Programme** is still being negotiated between the European Parliament and the Council with the support of the European Commission (EC).

One of the issues which the institutions have not yet found an agreement concerns the co-financing rate for grants awarded under the programme. The EC proposed that this rate would not exceed 80% of the eligible costs and, in duly and justified cases, could be of 90%. The European Parliament confirmed these percentages and added to the duly and justified cases the cases of vulnerable and high-risk Member States. The last proposal made by the Council decreased the co-financing rate for grants to 70% of the eligible costs and in exceptional and duly justified cases 80% and did not accept the reference to vulnerable and high risk Member States.

This proposal made by the Parliament **was to give special financial support to those countries which borders are most exposed to smuggling and need extra means to prevent it**. It should be a dynamic concept which would try to follow the trend of the smuggling flows and therefore could be regularly changed if smugglers change their route to another country.

7. REFUGEES AND ASYLUM SEEKERS IN BULGARIA²¹

UNHCR Regional Representation - The UN Refugee Agency for Central Europe has been present in Bulgaria since 1992 when the country has acceded to the 1951 Geneva Convention and the 1967 Protocol relating to the Status of Refugees. From 2000, a Representation operates in Sofia.

According to the latest provisional figures, Bulgaria received some **890 asylum-seekers in 2011**, 23 unaccompanied minors and separated children among them. **In 2011 some 10 refugee status were granted, whereas 182 people received a complementary form of protection**. The largest number of asylum-seekers arrived from Iraq, Afghanistan, Syria, Somalia and as a stateless.

Bulgaria has an **external EU border** and is under active preparation for joining the Schengen space. Therefore border management is a priority for UNHCR. Border monitoring has been carried out since mid-2010, under a Tripartite Agreement signed between the Chief Directorate Border Police, UNHCR and the Bulgarian Helsinki Committee.

Most asylum seekers enter **Bulgaria through smuggling or trafficking**. Therefore, UNHCR is involved in the work of the anti-trafficking Commissions and raises awareness about asylum-seekers and refugees who are easy targets.

Bulgaria has acceded to the 1954 Convention relating to the Status of Stateless Persons and the 1961 Convention on the Reduction of Statelessness. There are, however, no legal framework and a practical

²⁰ <http://www.europarl.europa.eu/oeil/popups/summary.do?id=1182807&t=e&l=en>

²¹ <http://www.unhcr-centraleurope.org/en/where-we-work/operations-in-central-europe/bulgaria.html>

mechanism yet to determine stateless people, just as there are no reliable data on the number of stateless.

7.1. Pastrogor Transit Centre²²

Bulgaria opened the Pastrogor transit centre in May 2012. **Situated near the border with Turkey**, the centre which can accommodate 300 people serves as a **temporary home to asylum-seekers** while Bulgaria reviews whether it is responsible for determining their asylum claims – under EU Dublin II arrangements – and whether their claims are manifestly unfounded.

Bulgaria receives an average of some 1,000 asylum-seekers a year. The majority of asylum-seekers cross into Bulgaria from Turkey, and are usually apprehended at the border by the border police.

The Pastrogor centre includes a library, prayer rooms, medical facilities, a children and sports playground, and is operated by a staff of 35 people.

²² <http://www.unhcr-centraleurope.org/en/news/2012/bulgaria-opens-long-awaited-centre-for-asylum-seekers.html>

8. EUROPEAN AGENCY FOR THE MANAGEMENT OF OPERATIONAL COOPERATION AT THE EXTERNAL BORDERS OF MEMBER STATES (FRONTEX)

On the 26 October 2004 the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (**FRONTEX**) was established by Council Regulation (EC) 2007/2004 (as a step forward on the matter of cooperation in the area of migration, asylum and security).

8.1. Roles and Responsibilities

EU and Schengen Associated Countries assist each other with the effective application of border controls via operational cooperation, coordinated by the EU agency Frontex.

Its main task is to augment and to add value to, border control activities of the Member States. Thus the agency is also mandated to assist EU countries in raising and harmonizing border management standards with the aim of combating cross-border crime while making legitimate passage across the external border of the EU faster and easier.

The Schengen Borders Code includes a series of detailed measures designed to compensate for the abolition of internal border controls by tightening security at the Union's external frontiers. One key requirement is that Member States having an external frontier must ensure that proper checks and effective surveillance are carried out there.

8.2. How it works

While regular border control is the exclusive responsibility of the Member States, Frontex's role focuses on coordination of deployment of additional experts and technical equipment to those border areas which find themselves under significant pressure. Frontex also builds the capacity of the member states in various areas related to border control, including training and sharing of best practices.

Frontex joint operations are planned and developed on the basis of an Annual Risk Analysis Report which analyses the likely future risk of irregular migration and cross-border crime along the EU external border.

Despite measures already undertaken, the EU Eastern border also continues to be a target for illicit trade, particularly the Baltic region. The main countries of provenance there are Russia, Ukraine and, increasingly, Belarus. In the case of Russia (and also UAE), most of the products seized are genuine. This means that they are produced legally, but in quantities greatly exceeding local demand in source countries. Whether duties are paid in their originating country or not, these products are then smuggled into the EU. Analysis by FRONTEX confirms that cigarette smuggling is one of the main problems affecting the EU Eastern border, and suggests a significant scale of smuggling from the Western Balkan countries. It also suggests that cigarette smuggling significantly affects the work of order authorities on the Eastern land borders, including on the land borders with Turkey, and with Western Balkan countries²³.

²³ Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products - A comprehensive EU Strategy - COM(2013) 324 final

8.3. Figures

The tables below present the data regarding the FRONTEX staff and revenue.

STAFF	OCCUPIED AT	ESTABLISHMENT PLAN	
	31.12.2012	2012	2013
TEMPORARY AGENTS	141	143	153
CONTRACT AGENTS	85	87	84
SECONDED NATIONAL EXPERTS	78	83	78

Source: <http://www.frontex.europa.eu/about-frontex/governance-documents/2013>

REVENUE SOURCE	BUDGET 2011	BUDGET 2012	BUDGET 2013
Subsidy from the Commission	111 000 000	84 000 000	79 500 000
Contribution from Schengen Associated Countries	6 337 000	4 758 000	5 207 100
Contribution from the United Kingdom and Ireland	850 000	820 000	1 000 000
Voluntary contributions from Member States and Schengen Associated Countries	0	0	<i>p.m.</i>
TOTAL Subsidies and contributions	118 187 000	89 578 000	85 707 100
Other Revenue	0	0	<i>p.m.</i>
Earmarked Revenue	0	0	<i>p.m.</i>
TOTAL REVENUE	118 187 000	89 578 000	85 707 100

Source: <http://www.frontex.europa.eu/about-frontex/governance-documents/2013>

EXPENDITURE	TOTAL USE OF PAYMENT APPROPRIATIONS 2011	BUDGET 2012	BUDGET 2013
TOTAL STAFF RELATED EXPENDITURE	20 230 218	20 550 000	21 641 000
TOTAL OTHER ADMINISTRATIVE EXPENDITURE	7 468 725	10 077 000	9 758 100
TOTAL OPERATIONAL ACTIVITIES	49 972 320	58 951 000	54 308 000
GRAND TOTAL	77 671 262	89 578 000	85 707 100

Source: <http://www.frontex.europa.eu/about-frontex/governance-documents/2013>

ANNEX A - STEPPING UP THE FIGHT AGAINST CIGARETTE SMUGGLING AND OTHER FORMS OF ILLICIT TRADE IN TOBACCO PRODUCTS - A COMPREHENSIVE EU STRATEGY



Brussels, 6.6.2013
COM(2013) 324 final

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products - A comprehensive EU Strategy

{SWD(2013) 193 final}

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products - A comprehensive EU Strategy

1. INTRODUCTION

According to the estimates of the European Anti-Fraud Office (OLAF) the illicit trade²⁴ in cigarettes causes annual financial losses of over EUR 10 billion in the budgets of the European Union and its Member States²⁵. These losses come from unpaid customs duties as well as taxes, including value added taxes (VAT) and excise duties. Cigarettes constitute the biggest share of illicit tobacco trade, but other tobacco products (such as hand rolling tobacco) are also traded illegally.

A decade ago, illicit trade was mainly constituted of large-scale container smuggling of well-known brands of cigarettes. In the last years, the relative share of smuggling of these 'main brands'²⁶, has decreased. On the other hand, counterfeiting, illegal production and, most importantly, smuggling of 'other'²⁷ brands' (produced mainly outside the EU in quantities vastly exceeding the demand on those national markets) are on the rise.

Illicit tobacco trade is not only an economic issue. In addition to significant damage to national and EU revenues, the illicit trade fuels the shadow economy. In fact it is almost exclusively the domain of organised criminal groups operating across borders. Furthermore, from a health point of view, illicit trade undermines policy initiatives aimed at reducing the consumption of tobacco products, particularly amongst vulnerable groups such as young people and low income groups. Illicit tobacco products are for the most part not produced in accordance with requirements of EU tobacco products legislation²⁸.

The European Commission and Member States have already taken action to curb illegal tobacco trade. For example, legally binding Cooperation Agreements have been concluded with four of the

²⁴ In this Communication, 'illicit trade' is understood to include different types of (international) smuggling of both genuine and counterfeit tobacco products (mainly cigarettes), as well as illicit internal EU production and distribution.

²⁵ The estimation is based on seizures reported by the Member States which amounted to 4.5 – 4.6 billion cigarettes per year between 2005 and 2011.

²⁶ Including brands of the four main global producers: Philip Morris International, Japan Tobacco International, British American Tobacco and Imperial Tobacco Limited.

²⁷ For the purpose of this Communication the expression "*Other brands*" is used to describe brands not produced by the four manufacturers with which the EU and the Member States have Cooperation Agreements. These cigarettes are often referred to as 'cheap whites'.

²⁸ For example as regards provisions on ingredients and the obligatory presentation of health warnings on the package.

world's leading cigarette manufacturers²⁹. In 2011, the Commission presented an Action Plan to tackle smuggling at the EU's Eastern land border³⁰ to address problems identified in that particular geographical area. However, the analysis of the available information³¹ shows that despite these efforts, overall the illicit trade is increasing in the EU. The EU faces a rising illicit influx of other brands coming from outside the EU as well as increased illicit production and distribution inside the EU.

Furthermore, illicit trade in tobacco products is certainly not exclusive to the EU – it is a world-wide problem. Indeed, in November 2012, the 176 Contracting Parties to the WHO Framework Convention on Tobacco Control (FCTC) adopted a Protocol to the Convention specifically to address the problem of illicit trade in tobacco products³².

The problem is significant and it is global. It manifests itself in different modes at the borders and within the EU. The illicit trade is influenced by demand and supply factors, and by the lack of effectiveness of control measures. Its substantial financial impact on the budgets of the EU and the Member States is very serious, in particular in the current economic crisis in the EU. It is clear that a comprehensive approach to the problem of illicit trade in tobacco is thus called for.

This Communication outlines the nature and scale of the EU problem of illicit tobacco trade, identifies factors that contribute to it, and proposes a comprehensive EU Strategy to fight the problem in the EU.

The Strategy's comprehensive approach takes into account that the fight against the illicit trade is a cross-cutting issue that is affected by many factors and drivers and in turn involves a broad range of EU and/or national policies.

2. NATURE AND SCALE OF THE EU PROBLEM OF ILLICIT TOBACCO TRADE

2.1. The nature of illicit trade

Illicit tobacco trade encompasses different phenomena, which are to a certain extent different and require different responses at different levels. The different forms of illicit trade include:

(international) smuggling of genuine tobacco products (i.e. main brands and 'other brands')

(international) smuggling of counterfeit cigarettes, and

illegal production and distribution within the EU (no customs duties involved, unpaid VAT and excise duties).

International smuggling (of both genuine and counterfeit goods) can involve:

²⁹ Philip Morris International (July 2004), Japan Tobacco International (December 2007), British American Tobacco (July 2010) and Imperial Tobacco Limited (September 2010), see on http://ec.europa.eu/anti_fraud/investigations/eu-revenue/cigarette_smuggling_en.htm.

³⁰ Commission Staff Working Document accompanying the Commission Anti-fraud Strategy, Brussels, 24.6.2011, SEC(2011) 791 final, hereinafter referred to as 'Eastern Border Action Plan'.

³¹ See Chapter 2.

³² Protocol to eliminate illicit trade in tobacco products (hereinafter referred to as the 'FCTC Protocol').

false/incorrect declarations (declaring the wrong description/value/origin/etc. of goods – incorrect customs duties are paid, if any, unpaid VAT and excise duties),
concealing goods inside legitimate cargo or vehicles or on passengers (unpaid customs duties, VAT and excise duties), and finally,
illegal border crossing, avoiding authorities altogether (unpaid customs duties, VAT and excise duties).

Within the EU, illicit trade encompasses illicit/unauthorised production and distribution within the EU customs territory (including across different tax jurisdictions). Illicit distribution includes goods produced inside the EU declared for export or for intra-EU delivery and moved under VAT and excise suspension but never leaving the EU's customs territory or delivered to a consignee within the EU that is indicated in the excise document in EMCS³³ or in the VAT return, and also imported goods released into free circulation in the EU under VAT and excise suspension, which are then distributed illegally without payment of VAT and excise. It also includes withdrawal from transit regime of goods which are then illegally sold inside the EU (unpaid customs duties, VAT and excise duties).

2.2. The scale and scope of illicit trade in the EU

Studies on the subject acknowledge³⁴ that it is **particularly difficult to measure illicit trade** because of the illegal and clandestine nature of the activity. However, some estimates are available³⁵. Illicit cigarette consumption in the EU has been estimated by one EU-funded study to be 8.5% in 2007³⁶ of the overall consumption. The KPMG Project Star Report 2012³⁷ estimated 8.4% illicit consumption for 2007, 8.6% for 2008, 8.9% for 2009, 9.9% for 2010, 10.4% for 2011 and 11.1% for 2012. This corresponds to an increase of 30% over the last 6 years..

³³ Excise Movement and Control System, see footnote 29.

³⁴ For example: Luk Joossens, Pricing Policies and Control of Tobacco in Europe (PPACTE), Work Package 5, deliverable 5.2: Illicit tobacco trade in Europe: issues and solutions, August 2011, available at: http://www.ppacte.eu/index.php?option=com_docman&task=cat_view&grid=65&Itemid=29 (hereinafter referred to as "Joossens"); World Bank Economics of Tobacco Toolkit, Understand, Measure and Combat Tobacco Smuggling, David Merriman, 2001, available at <http://siteresources.worldbank.org/INTPH/Resources/7Smuggling.pdf>.

³⁵ For this Communication, analysis was based mainly based on official information (seizure reports) on the provenance, types and brands of the products that was provided by the Member States' authorities to the Commission (OLAF) through the Anti-Fraud Information System (CIGINFO submodule created on the basis of Title II of Council Regulation 515/1997 EC of 13 March 1997, OJ L 82,22.3.1997, p.1.) in 2010 and 2011, and on information provided to OLAF by the Member States in the framework of the Task Group Cigarettes (an annual meeting organised by OLAF with authorities from EU Member States and some non-EU countries), complemented by industry reports (i.e. information provided by the four tobacco manufacturers with which the EU has legally binding Cooperation Agreements and the KMPG Project Star Report), the Tobacco Reports by the World Customs Organisation (WCO), as well as threat and risk analysis done by EUROPOL and FRONTEX.

³⁶ Joossens, p. 13.

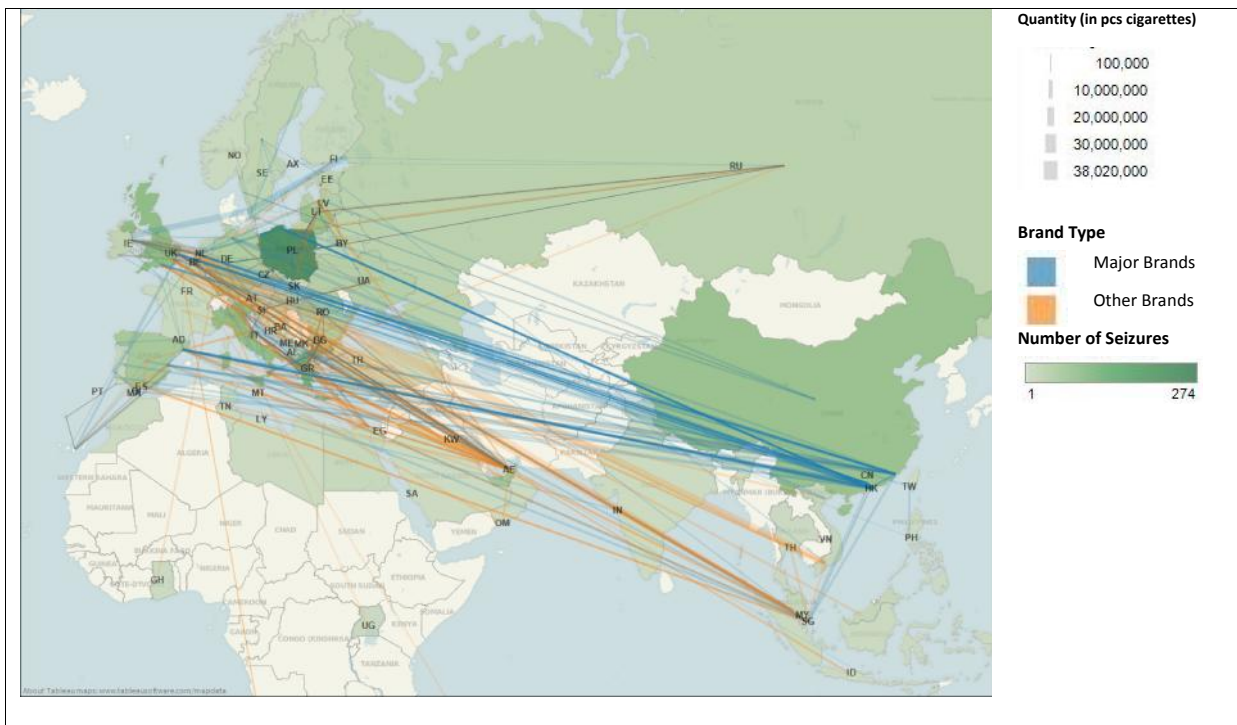
³⁷ KMPG Project Star Report 2012, commissioned by Philip Morris International Management S.A., http://www.pmi.com/eng/media_center/media_kit/Documents/Project_Star_2012_Final_Report.pdf

The seizures reported by the Member States confirm that **cigarettes constitute by far the biggest part of seizures of tobacco products**³⁸, although some significant seizures of Hand Rolling Tobacco (HRT) were also recorded. Other tobacco product types do not appear in significant numbers.

2.3. Third country origins of illicit tobacco products

According to available data, the **main countries of provenance** for smuggled tobacco products are, in the order of importance: China, the United Arab Emirates (UAE)³⁹, Vietnam, Malaysia, the Russian Federation, Singapore, Belarus and Ukraine.

Chart 1. Routing information



China continues to be the source country for the majority of seized cigarettes. Analysis of the seized samples demonstrates that these are mainly counterfeit cigarettes. Illicit consignments seized were shipped either directly to European seaports or transhipped via Singapore and Malaysia, where the illicit trade is aggravated by the insufficient control in the free zones.

Whilst in the past the UAE appeared mainly as a point of transhipment, current information clearly points to its new role as an important production location for other brands⁴⁰, particularly in its free zones.

Greece appears to be a major target for entries of shipments from China and UAE.

³⁸ According to the WCO last Customs and Tobacco Report 2011, cigarettes remain the main challenge on a global level, too.

³⁹ In China, the ports of Shekou, Xiamen, Guang, Zho, Huang Pou, Ningbo and Yantian were signalled most often by the Member States; in the UAE the ports signalled are those of Jebel Ali and Dubai.

⁴⁰ Such as Richman, Manchester, Marble, Gold Mount, Capital.

Consignments are often transhipped in Egypt, Turkey and other ports in the Eastern Mediterranean.

Despite measures already undertaken, the EU Eastern border also continues to be a target for illicit trade, particularly the Baltic region. The main countries of provenance there are Russia, Ukraine and, increasingly, Belarus. In the case of Russia (and also UAE), most of the products seized are genuine. This means that they are produced legally, but in quantities greatly exceeding local demand in source countries. Whether duties are paid in their originating country or not, these products are then smuggled into the EU. Analysis by FRONTEX confirms that cigarette smuggling is one of the main problems affecting the EU Eastern border, and suggests a significant scale of smuggling from the Western Balkan countries. It also suggests that cigarette smuggling significantly affects the work of border authorities on the Eastern land borders, including on the land borders with Turkey, and with Western Balkan countries⁴¹.

The modus operandi of smuggling varies greatly. Goods arrive via shipping container, road-going vehicles (lorries, vans, cars), by sea or river on small vessels, on trains and also in air freight and by post. The entry of tobacco products concealed with other goods continues to be the most important modus operandi. Repeated smuggling of small quantities (so called ant-smuggling) is a significant problem in the border regions. Sometimes this traffic is well organised and the small quantities are consolidated into larger loads before being transported to other Member States for sale on the illicit market.

It has to be underlined that organised crime plays an important role in the illicit trade which aggravates the problem further⁴². Illicit tobacco trade is a high profit and low risk activity and therefore particularly attractive to organised crime groups which have the possibility to launder the large profits derived from the illicit trade.

2.4. Illicit EU production

Significant amounts of cigarettes are probably also **produced illegally inside the EU**. The number of known illegal factories has increased rapidly: in 2011, Member States discovered nine illegal factories estimate to have a combined production capacity of more than 9 million cigarettes per day. In 2010, only five such factories were discovered.

2.5. Seized brands and seizure locations

The **share of other brands seized compared to main brands⁴³ is steadily increasing** and reached around 58% in 2011. The measures implemented by the four big manufacturers under the Cooperation Agreements, such as tracking and tracing of tobacco products, due diligence in relation to customers and prevention of money laundering, have clearly led to a significant reduction in the presence of these companies' products on the illicit market.

⁴¹ See for example the Eastern border Annual Overview, 2012, http://www.frontex.europa.eu/assets/Publications/Risk_Analysis/EB_AO.pdf.

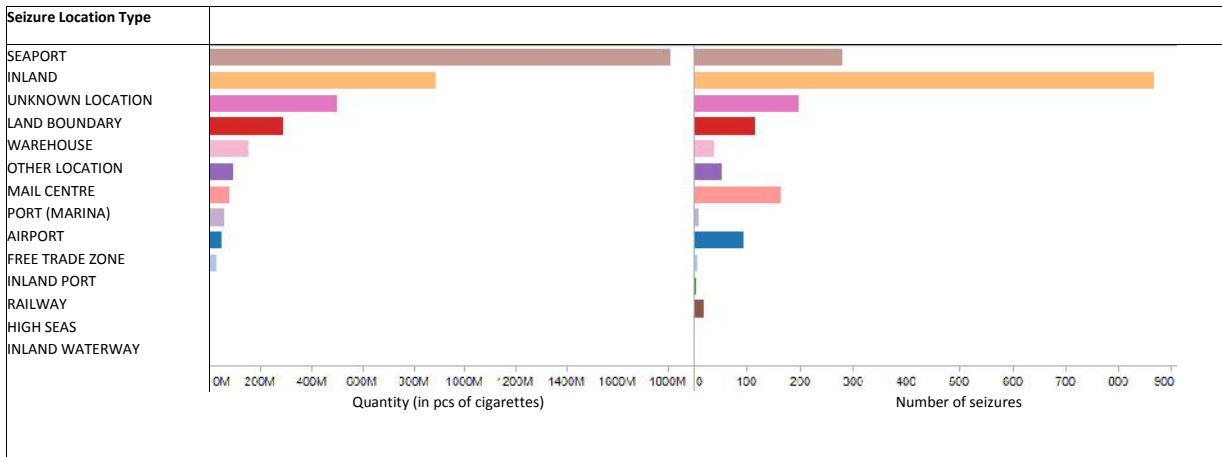
⁴² See also in EU Organised Crime Threat Assessment OCTA 2011 Report by EUROPOL at [http://www.europol.europa.eu/publications/European_Organised_Crime_Threat_Assessment_\(OCTA\)/OCTA_2011.pdf](http://www.europol.europa.eu/publications/European_Organised_Crime_Threat_Assessment_(OCTA)/OCTA_2011.pdf), p. 24-25.

⁴³ See footnote 4.

Some of the **other brands**⁴⁴ that were seized throughout the analysed period were seized in quantities similar to main brands, or **show strong upward trends**⁴⁵, which is a clear indication that they are well established on the illicit markets. Significant quantities of certain other brands⁴⁶ are produced inside the EU.

An analysis of the seizure location type/mode of transport shows that while **seizures at seaports continue to represent the highest seized quantities**, inland seizures have increased and also reached a significant level in both number of seizures and quantities seized.

Chart 2. Seizure location type



3. FACTORS CONTRIBUTING TO THE ILLICIT TRADE

Trade in tobacco products is complex because of the multitude of rules and requirements (e.g. different tax rules) that apply. Thus dealing with legitimate trade requires application of both standard EU customs procedures and rules and complex national tax procedures for classifying, valuing and applying the correct tax rates. As a consequence, also dealing with illicit trade (its incentives, disincentives and control) is a complex affair.

The illicit trade in cigarettes is **stimulated by four drivers mainly**:

high incentives and substantial loopholes;

supply chain control measures do not adequately match the scale of the threat;

enforcement authorities face certain general and specific challenges;

low disincentives: sanctions are low.

If a strategy is to be successful in fighting cigarette smuggling it has to address the incentives and disincentives, as well as the control factors, simultaneously.

⁴⁴ E.g. Jin Ling.

⁴⁵ E.g. Fest, Richman, Gold Mount.

⁴⁶ E.g. Raquel, Gold Classic.

3.1. Incentives are high and loopholes are substantial

Tobacco products are in general highly taxed in the EU. Import duties are high, between 40 and 58%⁴⁷. The total tax incidence (incl. VAT) lies between 70.12% of the tax included retail selling price (TIRSP) on cigarettes of the weighted average price (WAP) in Luxembourg and 88.97% in the United Kingdom.

As many of these factors vary nationally, **price differences** (as paid by the end consumer) regarding tobacco products, both within the EU and in comparison to its neighbouring countries are significant. In the area of excise duties on cigarettes, the gap between the lowest taxing Member State and the highest one amounts to EUR 206.41 per 1000 cigarettes – over four euro per pack of 20 cigarettes - creating a strong demand and incentive also for illegitimate distribution across tax jurisdictions inside the EU. Similar ranges in excise rates exist for other tobacco products.

Although price gaps have narrowed between EU countries, prices in countries on the Eastern border remain up to eight times lower. The significant differences in the tax inclusive retail selling prices have created an environment for purely tax induced cross-border shopping and for smuggling and fraud. Cross-border shopping is entirely legitimate and, indeed, constitutes one of the benefits of the internal market provided the products are purchased by individuals for their own personal use. However, there is a thin line with intra-EU "*smuggling*" where individuals purchase tobacco in other Member States ostensibly for their use but instead sell it without paying excise duty in the Member State of consumption.

The excise gap with neighbouring third countries is even significantly larger.

The **complexity of applicable rules** also creates incentives for illicit activities. In particular taxation legislation concerning tobacco goods is complex in the EU context, especially since much of it is national. The definition of excisable tobacco products retains a high degree of complexity and also the number of classification and definition problems is increasing for certain products⁴⁸. Furthermore, there are "grey areas"⁴⁹ and loopholes between smuggling and rightful importation of tobacco (and also alcohol) and products within the relief thresholds on importation applicable to travellers, both coming from third countries as well as intra-EU travelling.

Measures to restrict the release for consumption of large/excessive volumes of tobacco products immediately prior to a tax increase (forestalling) currently are also not sufficient. Creating overstocks released for consumption prior to a tax increase leads to a remarkable tax avoidance and reduces the Member States' revenue collection.

More generally, identification and classification of tobacco products (and their origin) can be difficult and require specialist equipment or laboratory analysis.

These gaps and loopholes form a significant economic incentive for smuggling and other forms of illicit trade.

⁴⁷ There are around 200 different preferential and non-preferential duties applicable to tobacco products.

⁴⁸ Like raw tobacco, cigarillos (Brands like "Next, Partner, Braniff, Skjold" etc), diet tobacco (dried ice expanded tobacco), water pipe tobacco etc.

⁴⁹ These grey areas mainly concern the definitions of "travellers" and "occasionally entering the EU when coming from a third country".

3.2. Supply chain control measures do not match the threat

In light of the clear incentives for criminals to engage in illicit trade, measures to control the tobacco supply chains, either by authorities or by economic operators themselves, are largely insufficient.

Apart from existing agreements with the main manufacturers, there are so far no legal measures at EU level that oblige economic operators engaged in the tobacco supply chain to conduct due diligence during the course of their activities⁵⁰. There is also, at this stage, no general legal obligation in place for producers or importers to monitor the movement of cigarettes and other tobacco products through their supply chain (tracking). In the absence of such measures, it is very difficult (even impossible) for the authorities to determine at which point a product was diverted into the illicit trade (tracing).

Considering the context of the trends and incentives outlined above, the current requirements on economic operators to control supply chains must, despite some success with regard to contraband of main brands, clearly be considered insufficient.

3.3. Challenges for enforcement authorities

On the enforcement side, customs and tax authorities are the key players in the fight against smuggling from third countries. Border guards and police also have a role to play. Police and tax authorities – and in several Member States also customs – are key players in the fight against illicit EU production and distribution. All of the involved authorities (customs, tax, police or border guards) face an important number of difficulties. Some of these are general (e.g. challenges related to data exchange, risk management and targeting) and some specific to illicit trade in tobacco. Furthermore, cooperation mechanisms between authorities and EU bodies do not always exist to allow effective collaboration between them, which hinders the overall effort.

3.3.1. Customs and tax authorities

Customs authorities make use of their staff, IT systems and control procedures and equipment to detect a host of illicit international traffic of goods, notably including tobacco products. EU customs authorities are, by virtue of being a customs union and having a common legal basis, closely networked via shared IT, joint expert groups and exchange of officials⁵¹. EU tax authorities also engage in various forms of administrative cooperation to combat tax fraud and evasion across the EU. A host of IT systems and networks managed by the Commission supports cooperation between the authorities in this work⁵². This cooperation includes not only exchange of risk information⁵³ but

⁵⁰ F. ex.: customer identification requirements; requirements to monitor the sales to ensure that quantities are commensurate with the demand within the intended market, reporting to the authorities of any evidence that a customer is engaged in unlawful activities.

⁵¹ Customs cooperation/mutual assistance based on Regulation 515/1997; IT infrastructures: AFIS (Anti-Fraud Information System) and MAB (Mutual Assistance Broker); CIS (Customs Information System)

⁵² E.g. CRMS (Customs Risk Management System) /RIF (Risk Information Form) – Article 13 of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code, OJ L 302, 19.10.1992, p. 1–50, and Article 4g of Commission Regulation (EEC) No 2454/93 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code, OJ L 253, 11.10.1993, p. 1–766, NCTS (New Computerised Transit System) – Article 353 of Commission Regulation No 2454/93, EMCS (Excise Movement and

also trans-European networks to control the movement of goods in suspension of customs duties and other taxes.⁵⁴ Nevertheless, both customs and tax authorities face a number of challenges in fighting external and intra EU illicit tobacco trade.

3.3.1.1. Risk management

Customs authorities have developed in recent years a common framework to manage risks in relation to commercial supply chains movements of goods crossing the EU external border. As was recently highlighted in the Communication on customs risk management and security of the supply chain⁵⁵, EU customs authorities face a number of challenges in terms of the implementation of effective risk management. These relate namely to quality, availability and sharing of data as a basis for effective risk management, control and investigation activities.

The Communication identified specific problems with the data provided by economic operators as basis for conducting risk analysis, in the capacity of EU customs authorities to use and share risk information among themselves and with other authorities, as well as a need to improve cooperation and data and analysis sharing with both economic operators and international partners. Proposals for further measures to improve the capability of customs to manage supply chain risks for all goods have been put forward including greater convergence in the use of the information, data sources, tools and methods used by customs to pinpoint risks and analyse commercial supply chain movements. Implementation will also impact significantly on the ability of EU customs to combat the problem of tobacco smuggling.

3.3.1.2. Control methods, equipment, training and IT tools

Controlling for certain types of smuggling such as illicit tobacco concealed in legitimate cargo or in (passenger or commercial transport) vehicles is also made difficult by lack of adequate types of control equipment such as scanners and sniffer dogs. Not all Member States dispose of adequate level of such equipment to protect their external borders. The level and quality of awareness and training of officers can also impact on national effectiveness in dealing with smuggling.

Within the internal market, tackling smuggling of cigarettes requires national networks of inland detection teams aiming at disrupting and dismantling the supply and distribution of illicit tobacco at retail, work and private premises. This embraces the establishment of mobile control units (second line control) and the extension of controls to inland checkpoints and markets. Not all Member States have implemented this practice.

While a number of specific IT tools exist to support the fight against illicit cigarette trade at EU level, there is also evidence that certain of the existing IT systems currently are not used to their full

Control System) – Commission Regulation (EC) No 684/2009 of 24 July 2009 implementing Council Directive 2008/118/EC as regards the computerised procedures for the movement of excise goods under suspension of excise duty, OJ L 197, 29.7.2009, p. 24–64, VIES (VAT information exchange system) – Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax, OJ L 268, 12.10.2010, p. 1–18, VIESCLO (Central Liaison office for indirect taxation).

⁵³ CRMS/RIF.

⁵⁴ NCTS.

⁵⁵ COM (2012) 793, 8.1.2013.

potential. For example, the new CIGINFO reporting module in the Anti-Fraud Information System (AFIS) shows clear improvements, yet despite the efforts to streamline and simplify reporting of seizures from Member States, some crucial information is still systematically missing or incomplete. Information in terms of movements of tobacco products (NCTS, EMCS) is also not yet fully exploited with new technologies such as data analytics.

3.3.2. *Other enforcement authorities*

Police and border guard authorities also have a role to play in fighting the different forms of illicit trade in tobacco products. The responsibility of the protection of the external borders lies with the Member States, based on a set of common European rules and procedures. They play a key role in detecting tobacco products illegally transported across the EU green border. The Member States' authorities are assisted in fighting cross-border crime by FRONTEX⁵⁶. FRONTEX carries out risk analysis, coordinates operational cooperation between Member States and develops and operates information systems enabling the exchange of information, amongst other tasks.

As fighting illicit trade in tobacco products is primarily the task of customs, the role of police authorities varies from one Member States to the other. However, police plays a key role in fighting organised crime and associated crimes, such as money-laundering. The European Police Office (EUROPOL) supports the Member States police authorities in the fight against serious crime, and in particular illegal manufacture and distribution of tobacco products in the EU, including organised VAT fraud. EUROJUST⁵⁷ supports cooperation between the competent authorities of the Member States in order to render their investigations and prosecutions of serious crimes more effective.

3.3.3. *Collaboration across authorities and EU actors*

An effective policy aimed at tackling illicit trade in tobacco products requires a targeted cooperation among national law enforcement and investigating agencies. The creation of designated task forces, embracing customs and finance guards, police as well as any other law enforcement agency has proven to be successful. Nevertheless, this is not a widespread practice within the European Union.

Also at EU level, intelligence and information exchange among EU bodies involved in fight against customs fraud, organised crime and cross-border crime (OLAF, EUROPOL, EUROJUST and FRONTEX) needs to be improved.

⁵⁶ Council Regulation (EC) No 2007/2004 of 26 October 2004 establishing a European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union, OJ L 349, 25.11.2004, p. 1.

⁵⁷ Council Decision 2002/187/JHA of 28 February 2002, OJ L 63, 6.3.2002, p. 1.

3.3.4. *Corruption*

Finally, numerous studies⁵⁸ and OLAF cases have shown that corruption in law enforcement authorities impedes the effective fight against illicit trade, in particular where corruption affects customs authorities⁵⁹. Corruption of officials actually remains one of the main methods used by the smugglers to cover their illegal activities.

3.3.5. *International cooperation with third country authorities*

A significant dimension of the problem of illicit tobacco trade is international. Information on risks, trends, threats and in particular in the context of investigations requires a high level of exchange of information and cooperation with authorities of source and transit countries. Degree and quality of cooperation between the EU and third countries differs widely and is sometimes very difficult. Due to joint efforts, cooperation with Ukraine and Moldova has improved in the past two years, contrary to the situation concerning Belarus. Operational cooperation with Russia, China and Malaysia is good, but considerable problems remain because of the size of illicit trade originating from these countries. There is insufficient operational cooperation from Singapore and UAE in relation to the free zones in these countries. Corruption in law enforcement authorities is also an important problem in source and transit countries outside the EU.

3.4. **Low disincentives: Sanctions imposed by the Member States are relatively low**

Despite the obvious incentives, and the huge profits that are being made through illicit trade, smugglers face relatively low risks in the EU, not to mention elsewhere⁶⁰. Sanctions for cigarette smuggling differ to a great extent across Member States. They vary in terms of the approach to sanctioning (administrative or criminal) as well as the gravity of the penalties. In one Member State, the maximum sentence for the most serious cases of such offences might be imprisonment of up to one year, while in others perpetrators can receive penalties of up to ten years. Similarly, the levels of fines differ significantly. The significantly diverging sanctions provide an opportunity for smugglers to choose their entry points to the EU according to where the lowest sanctions apply.

4. **THE WAY FORWARD**

In the proposed way forward, actions have been identified to address all aspects of the problem. Nevertheless, to focus scarce resources, emphasis is put on those measures that promise the most immediate effects, i.e. on securing the supply chain more effectively and strengthening

⁵⁸ E.g. Study on Anti-corruption measures in EU border control, Gounev, Philip/Dzhekova, Rositsa/Bezlov, Tihomir, 2012,

http://www.frontex.europa.eu/assets/Publications/Research/Study_on_anticorruption_measures_in_EU_border_control.pdf; Integrated Report on Pricing Policies and Tobacco Control, Study carried out for the European Commission under the Seventh Framework Programme), Currie, Townsend, Leon Roux, Godfrey, Gallus, Gilmore, Levy, Nguyen, Rosenqvist, Clancy, 2012.

⁵⁹ Final report of the Study on Examining the links between organised Crime and Corruption, by Philip Gounev and Tihomir Bezlov, Centre for the Study of Democracy, 2010, p. 96-97, http://ec.europa.eu/dgs/home-affairs/doc_centre/crime/docs/study_on_links_between_organised_crime_and_corruption_en.pdf.

⁶⁰ Certain neighbouring countries have, worryingly, recently decriminalised cigarette smuggling.

enforcement. Actions related to the following measures are listed in the Action Plan accompanying this Communication.

4.1. Measures to decrease incentives

Currently the scope for harmonising excise duties within the EU, not to mention with neighbouring countries, is limited. Nevertheless, while pursuing this idea in the longer term within the EU and with Eastern neighbours in particular, other measures can be taken in the immediate and short term to reduce incentives and loopholes.

For example, the **definition of excisable tobacco**, which retains a high degree of complexity, could benefit from simplification by aligning it with customs definitions. A precise definition of excisable products based on objective criteria is a pre-condition for lowering the administrative burden on both economic operators and tax authorities, thereby reducing loopholes and ensuring a higher degree of compliance with excise legislation.

As far as the grey **area between smuggling and rightful importation** by travellers is concerned, the Commission is considering elaborating technical guidance to support the Member States in using objective criteria when applying the relief thresholds for travellers.

Regarding **forestalling**, it needs to be explored whether basic common rules on anti-forestalling could limit tax avoidance while avoiding competitive distortions between economic operators established in different Member States. Anti-forestalling measures are linked to the evidence of the payment of excise duties. Trusted operators that have entered into agreements ensuring higher compliance standards should possibly be able to benefit from longer transitional periods in order to prove the payment of excise duties.

Not only **incentives** for smugglers, but also those **for consumers need to decrease**. In order to discourage citizens from buying illicit cigarettes and other tobacco products, the negative impact of illicit trade should be made better known to the wider public, in particular the impact on national finances and the involvement of organised crime, as well as the fact that illicit products do not comply with EU tobacco products legislation, for example as regards provisions on ingredients and the obligatory presentation of health warnings on the package.

The Commission will

- examine how to simplify the application of the excise rules, e.g. through technical guidance;
- explore limiting tax avoidance by introducing basic common rules on anti-forestalling;
- expand the already existing targeted actions in cooperation with the interested and willing Member States in order to raise public awareness about the damage caused by and the specific risks associated with the consumption of illicit tobacco products.

4.2. Measures to secure the supply chain

As a first and foremost measure to better secure tobacco supply chains the EU and the Member States have a common interest to **sign, ratify and effectively implement the FCTC Protocol**, including measures regarding licencing of manufacturing equipment, due diligence, and provisions on the free zones inside the EU.

Most importantly, the Protocol obliges the Parties to establish a **tracking and tracing system** for all tobacco products that are manufactured in or imported onto its territory (Article 8)⁶¹. The key element of such a system consists of unique identification markings which will assist in determining the origin and the point of diversion of the products into the illicit trade. It will enable the monitoring and control of the movement of tobacco products and their legal status by the competent authorities of the Parties (i.e. Member States and European Commission) and also include information exchange with the international partners via the Global information sharing focal point at the WHO Secretariat of the FCTC. Such a tracking and tracing system will improve the control of the supply chain significantly and reinforce the existing measures applied to the movement of excisable products inside of the EU (EMCS-for EU goods or NCTS- for non-EU).

The basic features of the national tracking and tracing systems should be determined at EU level, in order to avoid distortions in the EU internal market of tobacco products. This would be achieved through the adoption of the Commission's recent proposal for a new Tobacco Products Directive (TPD)⁶². In order to ensure full traceability of tobacco products and to make sure that there are only compliant products on the EU market, the proposal (Article 14) foresees tracking and tracing measures at packet level for tobacco products throughout the supply chain (excluding retail). The proposal foresees that tobacco manufacturers shall conclude contracts with independent third parties that provide data storage capacities for such system ensuring full transparency and accessibility by Member States' authorities and the European Commission.

In addition, the proposal also foresees a security feature on all tobacco products, which should help consumers and authorities to distinguish between genuine and counterfeit products.

Therefore, the Commission proposal for a new Tobacco Products Directive contains, in its Article 14, provisions on tracking and tracing which are fully in line with the FCTC Protocol as far as the EU trade in tobacco products is concerned.

The Commission will propose measures

- to sign, ratify and implement the FCTC Protocol at EU level;
- to ensure compliance with the provisions of the Protocol as far as matters falling into EU competences are concerned.

The European Parliament and the Council should adopt the Commission proposal for a new Tobacco Products Directive as soon as possible, including the proposed measures on tracking and tracing.

⁶¹ For cigarettes, the Parties are obliged to introduce the requirement within five years from the entry into force of the Protocol, for other tobacco products within ten years (Article 8 (3)).

⁶² COM(2012)788 final of 19.12.2012, Proposal for a directive on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and tobacco related products.

4.3. Measures to strengthen enforcement

4.3.1. Addressing challenges of EU enforcement authorities

4.3.1.1. Risk management

The implementation of actions identified in the Communication on Customs Risk Management, specifically on quality of data to be supplied by economic operators, and its accessibility and sharing for risk management purposes will provide a stronger and more coherent and coordinated framework for risk management and can improve the targeting of suspicious operations (including involving tobacco products). The **sharing of analytical information with EU customs offices and other EU actors with a role** in the fight against illicit international trade will increase the capacity of the operational authorities. This improved framework will contribute significantly to the fight against all forms of illicit trade, including tobacco smuggling.

4.3.1.2. Operational actions

Operational actions carried out under the Eastern Border Action Plan are already suggesting promising results and should continue to be implemented under this Strategy. As part of the EU Customs Risk Management Framework, the area of cigarette smuggling has been assigned a Priority Control Area (PCA) for the year 2013 to ensure more intensive EU-wide risk based coordinated controls⁶³. Complementing the PCA, a regional JCO is organised by the Commission and Romanian customs, involving also Ukraine and Moldova. Following from the results of these actions, specific recommendations will be defined and implemented to strengthen systematic EU capacity to identify and target identified common risks in the area of cigarettes. Following positive final analysis of the results, it may also be recommended to **organise further targeted actions** on illicit tobacco trade, possibly involving specific high-risk factors such as consignments coming from key source countries such as the UAE or established risk hubs.

Weaknesses in Joint Customs Operations (JCO) identified by the Council Customs Cooperation Working Party (CCWP)⁶⁴ should be addressed and the information sharing in the context of a JCO should be improved.

Information on the geographical origin of illegal tobacco consignments can be improved through **technical analysis of samples** from products seized in the Member States.

4.3.1.3. IT tools and equipment

With regard to **existing IT tools such as CIGINFO**, Member States should be encouraged to use these to their full potential. At the same time, the Commission will increase its feedback on the results of its analysis of the seizures. The Commission and Member States authorities could explore the use of Container Status Message (CSM) data to target suspicious shipments related to cigarette smuggling. Possibilities for a more effective use of other equipment such as **automated licence plate and container code recognition tool** infrastructure (by sharing the information obtained via the tool at regional or EU level) will also be explored.

⁶³ Commission Regulation (EEC) No 2454/93, Articles 4g – 4j.

⁶⁴ DOC 9947/4/11 LIMITE ENFOCUSTOMS 38 REV, Project Group 4.6. of the 4th Action Plan of the 2009 Strategy on customs cooperation (Doc. 15198/09 ENFOCUSTOM 118 ENFOPOL 272).

The exploitation of ATIS⁶⁵ to gather trends based on data analytics in order to support Member States in their operational risk targeting should be considered. A similar exercise on the basis of EMCS transactions could also be envisaged.

Customs modernisation, including infrastructure and equipment, could possibly be better supported by EU structural funds in the future if EU Member States are aware and prioritise the objective in their national envelopes accordingly.

4.3.1.4. Cooperation between EU authorities

In addition to specific actions to improve sharing of risk information and greater exploitation of supply chain data through development of common risk management tools and methods at the EU level as identified in the Communication on Risk Management, the planned reform of the European Anti-fraud Office (OLAF) should pave the way for enhanced cooperation between OLAF, EUROPOL, EUROJUST and FRONTEX in the context of investigations⁶⁶. The agreement found still needs to be formalised. The proposal for a reform of EUROPOL⁶⁷ has also paved the way for an enhanced information exchange for investigations.

Shared information and intelligence among the various authorities involved in the protection of the external borders contributes to preventing and fighting this particular type of cross-border crime. It is therefore important that OLAF and FRONTEX share intelligence under the EUROSUR system at EU level, and customs authorities take part and provide input at national level to the EUROSUR⁶⁸ system.

4.3.1.5. Specific problem area(s)

The specific and acute problem of **Greece** as a major entry point will be addressed in the context of the Task Force Greece⁶⁹ and the technical assistance provided to the reform of the General Secretariat for Public Revenue.

The Commission will

- organise further targeted actions both within the EU and/or with third countries using the most appropriate existing tools such as PCAs, regional and/or international JCOs;
- address the weaknesses identified in Joint Customs Operations;
- continue its work on scientific research and analytical methods in the fight against illicit tobacco trade;

⁶⁵ The Anti-Fraud Transit Information System is an AFIS application, see footnote 28.

⁶⁶ COM(2011) 135 final.

⁶⁷ COM(2013) 173 final.

⁶⁸ Commission Staff Working Document Determining the technical and operational framework of the European Border Surveillance System (EUROSUR) and the action to be taken for its establishment (SEC(2011)145 final).

⁶⁹ This should include funding of additional customs equipment under Hercule II and III, and work with the Greek national authorities in order to identify and remove weaknesses in controls.

- provide increased feedback to Member States regarding analysis of seizures;
- propose measures to interlink and gather, at central level, information obtained through automated licence plate and container code recognition tool, in order to make the information available to the other Member States;
- provide additional assistance to the customs authorities of the Member States to identify currently available and future programmes in order to support and modernise EU customs in terms of customs infrastructure, equipment (including for the Customs Laboratories), systems and services;
- facilitate access as regards Member States use of available and future funding instruments and programmes;
- address the specific problems in Greece through appropriate action in the context of the Greece Task Force.

The Commission and the Member States should

- on the basis of the results of the PCA, define and implement recommendations to strengthen the EU capacity to identify cigarette smuggling.

The European Parliament and the Council should adopt

- as soon as possible, the pending review of the OLAF Regulation;
- the Commission's proposal for a reform of EUROPOL.

Member States should improve reporting in CIGINFO.

4.3.1.6. Sharing of expertise and best practices

As a general measure, it is essential to **optimise and coordinate available resources** both at national and EU levels in order to reinforce enforcement capability and capacity. Specifically in the area of international cigarette smuggling, successful implementation of national strategies has contributed to the reduction of the illicit trade in a number of EU countries.

Sharing of experience and expertise can create important synergies and allow identifying the latest and most efficient technologies and methods both for prevention and detection purposes. This sharing of expertise, as well as a future pooling of resources are fundamental objectives of the future Customs and FISCALIS 2020 Programme⁷⁰. These can also partially be supported in the fight against fraud through the Hercules III programme. The fight against cross-border criminal activity can also be supported through the Internal Security Fund, Instrument financial support for border management and the common visa policy⁷¹.

Sharing of national practices in the fight against customs crime (mainly smuggling) is undertaken in the Council Customs Cooperation Working Party. A specific group has undertaken to

⁷⁰ COM(2012) 464 final and COM(2012) 465 final.

⁷¹ COM(2011) 750 final.

improve the possibilities to tackle the threat of serious and organised crime in tobacco smuggling, through new forms of cooperation and investigative techniques⁷².

A coordinated approach could also be considered for **trainings** for the different law enforcement staff on the specificities of trade in tobacco products, which is highly complex even in its legitimate form. Specific measures and experience sharing on **addressing corruption** could also be undertaken at EU level. For these purposes, the Commission should assist the Member States to organise staff exchanges between competent national authorities involved in anti-smuggling efforts.

The Commission will

- develop a specialised training module for law enforcement authorities, together with the Member States, CEPOL and (in the future) EUROPOL;
- assist Member States in ensuring sharing of best practices in the fight against customs crime and fight against corruption, including by providing financial assistance from the Hercule programme for the purpose of staff exchanges.

4.3.2. *Enhance cooperation with major source and transit countries*

The main source and transit countries need to share information concerning their legal cigarette production and distribution, threat assessments and information related to organised crime, as well as cooperation and assistance in concrete investigations.

To this end, the EU has to make better use of and raise the problem within the existing frameworks of cooperation with China such as the existing framework created under the Customs cooperation and Mutual Administrative Assistance Agreement (CCMAA⁷³). The EU should also use the current and future Association Agreements with European Neighbourhood countries and the Stabilisation and Association agreements with the Western Balkans to their full potential. Thus, the issue should be raised systematically at the competent ministerial meetings under the Neighbourhood Policy as well as the High Level Seminars on Customs Cooperation. Steps should be taken to encourage harmonised approaches to convergence of excise structures and rates between neighbouring partner countries, through existing or newly established multilateral fora, to reduce to the minimum incentives for smuggling caused by disparities between countries.

Implementation of the Strategic Frameworks for customs cooperation with Russia, Ukraine and Moldova should continue, in particular in terms of setting up mechanisms allowing discussing cooperation on tackling customs fraud, including possible joint actions, and a similar Framework should be endorsed with Belarus. The negotiations of Administrative Cooperation Arrangements between OLAF and the Ukrainian and Moldovan Customs should be finalised by July 2013, and negotiations should start with Russia and Belarus.

Although there is no bilateral framework for cooperation with the UAE, the EU has to address the problem with the UAE at political level, in addition to reinforcing EU controls on consignments coming from the UAE and organising targeted operations.

⁷² The Project Group on Action 5.1 "To improve the possibilities to tackle the threat of serious and organised crime in tobacco smuggling, through new forms of cooperation and investigative techniques".

⁷³ OJ L 375, 23.12.2004, p. 20.

The **EU should also continue providing technical and financial assistance** to the European Neighbourhood countries, Western Balkans and Turkey in order to fight against the illicit trade, including corruption in customs and other law enforcement authorities.

Also the **partnership and cooperation agreements with Vietnam, Malaysia and Singapore**⁷⁴ should serve as a basis for enhanced cooperation in the fight against organised crime. The proposed anti-fraud provisions in free trade agreements (FTA) with these countries must be used for enhanced cooperation in customs matters. Such anti-fraud provisions will be systematically proposed in all of the EU's international trade and/or cooperation agreements.

The entry into force and **implementation of the FCTC Protocol** will bring a new dimension to the fight against the illicit trade also at global level, through the track and trace regime and the Global information sharing focal point located at the WHO FCTC Secretariat, and also by enhancing judicial cooperation in criminal matters and mutual legal assistance in legal matters. Apart from the WHO itself, also the WCO and Interpol can play an important role in encouraging their members to ratify and implement the FCTC Protocol and take efficient measures on that basis.

The Commission will

- intensify its work with China, European Neighbourhood countries, Russia, Western Balkans and Turkey in the areas of customs cooperation and the fight against cigarette smuggling;
- examine the usefulness of posting additional EU liaison officers to important source and transit countries;
- propose relevant anti-fraud provisions to be systematically included in the negotiating mandates for relevant international agreements;
- promote signature, ratification and implementation of the FCTC Protocol in particular by the main source countries, inter alia through a close cooperation with the WCO and a reinforced cooperation with Interpol and through financial support and technical assistance to the WHO FCTC Secretariat and non-EU countries.

The Commission and the European External Action Service (EEAS) will raise the problem of illicit tobacco traffic systematically at EU level with the main source and transit countries, in particular the UAE. The Commission will propose joint action plans between the EU and the main source countries.

The Commission will and the Member States should ensure cooperation with the Global information sharing focal point at the WHO FCTC Secretariat.

4.4. Strengthening sanctions

In terms of disincentives, effective and dissuasive sanctions, including criminal sanctions are needed across the EU to successfully curb the illicit tobacco trade. The Commission will have an external study carried out on existing penalties in the Member States specifically relating to the

⁷⁴ The PCA with Vietnam was signed in June 2012, the negotiations with Singapore and Malaysia are advanced. Negotiations for the FTA with Singapore were concluded in December 2012. Negotiations on FTAs with the other countries are on-going.

illicit trade in tobacco products and in particular smuggling, and the way they are applied by the courts.

Several existing, more general initiatives already offer possibility to increase the disincentives to illicit tobacco trade. For one, the provisions of recently adopted WHO FCTC Protocol require Contracting Parties to adopt legislative and other measures to establish as unlawful a list of conducts under their national law, and to ensure that persons held liable for the unlawful conduct are subjected to effective, proportionate and dissuasive criminal or non-criminal sanctions. The study to be launched will also monitor compliance with the FCTC Protocol, and based on the results, the Commission will consider proposing legislative action.

Furthermore, the Commission has already proposed in July 2012 the adoption of a Directive on the fight against fraud to the Union's financial interests by means of criminal law ('PIF-Directive')⁷⁵ harmonising the definitions of crimes, levels of minimum and maximum sanctions and periods of time limitations which still vary in the EU Member States. If taken up by Member States, this could contribute to the effort to tackle the problem of differing sanctions in the Member States. Furthermore, the Commission will propose in 2013 an approximation of the definitions of customs infringements and non-criminal sanctions.

The Commission will

- carry out an external study on existing penalties in the Member States the objective of which will also be to analyse the transpositions of the FCTC Protocol;
- table a proposal to approximate definitions of customs infringements and non-criminal sanctions.

5. CONCLUSION

Combating illicit trade in tobacco products requires both political commitment and concrete actions in order to protect the financial interests of the EU and the Member States, to fight against cross-border crime and to protect the citizens from goods which do not comply with tobacco control legislation.

Certain measures and initiatives have been adopted and are being implemented. Others are in the pipeline, and still others need to be reinforced. Above all, the problem of tobacco smuggling is a complex and global problem. For effective results, it needs to be addressed in a comprehensive way, both geographically and in terms of rules, resources and procedures addressing demand, supply, control and enforcement.

The implementation of the Strategy set out in this Communication and the measures and actions associated thereto, set out in the attached Action Plan, would address the identified problems and drivers and thus significantly strengthen the fight against the illicit trade in the EU and support the implementation of the existing measures and policies.

The Commission invites the European Parliament and the Council to discuss the measures proposed in this Communication and its Action Plan and to support the Commission and the Member States in their implementation. The Commission will monitor the implementation of the Action Plan,

⁷⁵ COM(2012) 363 final, 2012/0193 (COD), Proposal for Directive of the European Parliament and the of Council on the fight against fraud to the Union's financial interests by means of criminal law.

which should be concluded by the end of 2015, in particular its effects on the different drivers of the problem, and will prepare a report after three years from the publication of this Communication.

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