

Illicit tobacco trade: over half billion cigarettes seized in 2022

International operations involving the European Anti-Fraud Office (OLAF) during 2022 led to the seizure of 531 million illicit cigarettes, more than 205 tonnes of raw tobacco and 65 tonnes of water-pipe tobacco. OLAF investigators conducted multiple operations with national and international customs and law enforcement agencies to counter cigarette and tobacco smuggling, confirming an increasing trend of illicit production within the EU.

OLAF Director-General Ville Itälä said: *"These seizures have saved roughly 153 million euro in lost customs, excise and VAT revenue that would have ended up on the taxpayers' tab. OLAF continues to work closely with EU bodies and national authorities in Member States to identify developing trends in the production and smuggling of counterfeit tobacco products. These results inspire us to continue investing in our cooperation to ensure the protection of the EU budget and the European citizens while identifying and closing down the criminal gangs behind this dangerous and illegal trade."*

This year, the majority of the cigarettes impounded thanks to OLAF – 316.7 million (59.5%) – were seizures from illicit production within the EU. Traditional smuggling models rely on production outside the EU and subsequent smuggling across the EU's external borders. However, over the past few years, investigators have noted an increase in illicit factories putting together raw materials inside the European Union.

The change from the more traditional smuggling model, where illicit cigarettes originated outside the EU, was first noted during the COVID pandemic. OLAF investigators estimate that Russia's aggression against Ukraine may have added a further disruptive impact on some of the routes that are traditionally used by smugglers at the Eastern border.

In addition to the 316 million cigarettes linked to production inside the EU, close to 200 million cigarettes were seized at the EU's external borders, originating from outside the EU. A smaller amount – around 15 million cigarettes – was seized outside the EU, thanks to OLAF's cooperation with third countries.

Furthermore, 205 tonnes of raw tobacco destined for illicit production were also confiscated, while more than 15 factories were dismantled and 77 individuals arrested. OLAF also remains active on waterpipe tobacco smuggling, another emerging trend that OLAF detected a few years ago. During 2022, OLAF was able to identify suspicious consignments for over 65 tonnes of waterpipe tobacco.

Tobacco smugglers generally operate as part of international trafficking networks that seek to take advantage of any differences and gaps between the various national systems in the individual Member States. It is part of OLAF's role to provide the bigger

picture, to help connect the dots by putting the information together and providing it promptly to the national authorities to act upon it.

The fight against tobacco smuggling is a central part of OLAF's investigative activities. OLAF identifies and tracks lorries and/or containers loaded with cigarettes misdeclared as other goods at EU borders. OLAF gathers intelligence from a range of sources, including the industry, and exchanges its information in real time with EU Member States and third countries. If there is clear evidence that shipments are destined for the EU contraband market or that there are illicit production activities inside the EU, national authorities are ready and able to step in and stop them.

OLAF mission, mandate and competences:

OLAF's mission is to detect, investigate and stop fraud with EU funds.

OLAF fulfils its mission by:

- carrying out independent investigations into fraud and corruption involving EU funds, so as to ensure that all EU taxpayers' money reaches projects that can create jobs and growth in Europe;
- contributing to strengthening citizens' trust in the EU Institutions by investigating serious misconduct by EU staff and members of the EU Institutions;
- developing a sound EU anti-fraud policy.

In its independent investigative function, OLAF can investigate matters relating to fraud, corruption and other offences affecting the EU financial interests concerning:

- all EU expenditure: the main spending categories are Structural Funds, agricultural policy and rural development funds, direct expenditure and external aid;
- some areas of EU revenue, mainly customs duties;
- suspicions of serious misconduct by EU staff and members of the EU institutions.

Once OLAF has completed its investigation, it is for the competent EU and national authorities to examine and decide on the follow-up of OLAF's recommendations. All persons concerned are presumed to be innocent until proven guilty in a competent national or EU court of law.

For further details:

Kirill GELMI
Spokesperson
European Anti-Fraud Office (OLAF)
Phone: +32 2 29 88146
E-mail: olaf-media@ec.europa.eu
<https://anti-fraud.ec.europa.eu>



[@EUAntiFraud](https://twitter.com/EUAntiFraud)

Theresa ZAHRA
Deputy Spokesperson
European Anti-Fraud Office (OLAF)
+32 2 29 57270
olaf-media@ec.europa.eu
<https://anti-fraud.ec.europa.eu>



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