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Cigarette smuggling

Combating illicit trade through structured cooperation at a European and World level

Unit B.3 - Customs II

NUMBER OF CIGARETTES SEIZED IN THE EUROPEAN UNION.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number (in billions)</th>
</tr>
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<tbody>
<tr>
<td>2004</td>
<td>4.1</td>
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<tr>
<td>2005</td>
<td>4.4</td>
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<td>2006</td>
<td>4.6</td>
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<td>2007</td>
<td>4.7</td>
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<td>2008</td>
<td>5.2</td>
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</tbody>
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OLAF/TGC International Activities

- TGC has 17 Agents with 12 different nationalities
- Annual Task Group Conference (TGC). 14th. Meeting held in Poland in October 2009
- J.C.O.’s; Mudan, Diabolo, Diabolo II
- Mutual Assistance Agreements (currently 40 Agreements relating to 54 countries/territories are in force)
- OLAF Overseas Liaison Officers (OLO’s)
  - Beijing: 2008
  - Moscow, Kiev, Cairo: 2010
- Coordination of criminal cases in MS and Third Countries.(currently 35 open cases)
- Legally binding Agreements with Tobacco Manufacturers
- FCTC – Protocol on the elimination of the Illicit Trade in Tobacco products – International assistance and cooperation - Essential

Example of international cooperation
The “MIAMI” case

Countries involved: Ireland, USA, Belgium, France, Germany, Spain, Portugal, Cyprus, Uruguay, Chile, Panama, the Netherlands, United Kingdom, Singapore, UAE & Canada

Background

- 6 containers of cigarettes seized by Irish Customs in 2002:
  - False Bills of Lading
  - Fraudulent invoices presented to Irish Customs.
- Request by Irish Authorities to OLAF to coordinate international investigations.
- Investigations revealed that cigarettes were also smuggled into Germany, France, Spain and Portugal.

Routing

- From the cigarette manufacturer
  - to Cyprus to Uruguay to Panama to Miami.
  - to Cyprus to the Netherlands to Miami.
- From Miami to EU misdescribed as other products.

OLAF Investigations and Support

The MIAMI investigation led to other seizures and arrests:
- Intelligence from US ICE led to 2 controlled deliveries in the UK in October 2006. Origin of the cigarettes was China.
- 10,800,000 pieces seized. Prevented losses approx. €3,000,000.
- 10 persons arrested.

Results of intelligence gathered during the investigation:
- In March 2007 Irish customs seized 7,259,600 British Heritage cigarettes
- Produced in Gran Canaria shipped to Panama, then to Miami, the Netherlands and Dublin.
- Approx. €2,500,000 losses prevented.
OLAF Investigations and Support

• In March 2008 HMRC seized 6,000,000 GOLDEN EAGLE cigarettes
• Shipped from Panama to Miami then to Felixtowe.
• Approx. €2,500,000 losses prevented.
U.S.A. Violations

- False bills of Lading
- Conspiracy
- False Statements

US Supreme Court – Pasquantino Decision - May 2005
- Money laundering
- Wire and mail fraud
- Illegal export from USA (April 2007)

Results to date

- Opening of criminal case in the USA.
- Opening of a criminal case in Spain.
- Opening of a criminal case in Germany.
- The identification of:
  - Illegal cigarette consignments to different European Union countries.
  - Suspect cigarette movements via North and South America.
  - Suspect money transfers to different countries in the world.
  - Illegal consignments of cigarettes that were seized in Ireland, UK and Belgium.
- Total of duties identified as evaded: approximately €100,000,000.

US Court proceedings

- One of the main principals has already pleaded guilty to all charges and he will be sentenced at the Court in Miami on 05.02.2010.
- At least two more suspects will be indicted before the Court in Miami in the very near future.