

Thomas Lesnak explores how the illicit trade in tobacco had been used by terrorist organisations and what can be done to stop it

HOW ILLEGAL TOBACCO

A March sting operation in Canada resulted in the arrest of 60 people connected to a vast North American smuggling ring and the seizure of more than 1,800 pounds of cocaine, 46 pounds of methamphetamine, 35 pounds of cannabis, and, interestingly, nearly 3,000 tons of tobacco. To most, it's likely surprising to read that criminals trafficking in drugs would include illegal tobacco in their deadly enterprise. For those of us closely tracking criminal financing, it's not surprising at all. The syndicate uncovered by US and Canadian law enforcement is just one example in a global explosion of tobacco smuggling.

Across continents, particularly in some of the most violent, destabilised trouble spots including Syria, Pakistan and North Africa, illicit tobacco traders are deploying more complex, smarter, multi-tiered operations.

There is one fundamental truth underpinning every criminal enterprise: if there is money in selling something, sell it. Sell a lot of it. Having spent 30 years conducting global criminal investigations in more than 50 countries, I've interviewed hundreds of the 'bad guys' and they all sing from the same moneymaking songbook.

Virtually unknown to the public, and to the silver screen set, is a global criminal trade that rivals drug trafficking in size and profitability and it's fast-becoming the darling of international criminal and terror organisations: illicit tobacco.

To the uninitiated, it's easy to think of illegal tobacco as something harmlessly sold in the back of a neighbourhood convenience store or street corner. The reality is far more deadly. The US State Department, Interpol, the United Nations and others view illegal tobacco as a worldwide epidemic that funds criminal and terrorist organisations.

The Financial Action Task Force, an international governmental inter-agency collaboration, defines the illicit tobacco trade as the "production, import, export, purchase, sale or possession of tobacco goods which fail to comply with legislation". This includes cigarettes recognised as 'illicit whites'.

Contraband tobacco products are items that have been imported, distributed or sold in a state without being subject to applicable tax, duty or fiscal legislation. Counterfeit goods are those that bare the resemblance or marking (such as trademark) of a known cigarette manufacturer without the consent of said manufacturer. Lastly, illicit cigarettes are non-branded cigarettes that are produced legally in one country, but then sold illegally in another.

It is estimated that as much as 20 percent of the financing currently funding global terror groups is derived from the illegal tobacco trade, with 15 of the world's largest terrorist organisations engaged in trading illicit tobacco. The relative ease of smuggling cigarettes, and the lack of heavy penalties for those caught, is



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allowing militant groups to easily rake in high profits.

Groups such as ISIS, Al-Nusra, Pakistani Taliban (TTP), Lashkar-E-Taiba (LeT), Al-Qaeda in Maghreb, the Irish Republican Army (IRA) in Northern Ireland and FARC in Colombia have been identified by France's Centre for the Analysis of Terrorism (CAT) as just some of the militia groups profiting from the smuggling of tobacco. The IRA was able to raise an estimated 100 million Euros from 1999 – 2004 from smuggling tobacco. David Kaplan, of the Centre for Public Integrity in the United States, commented that as a source of finance for the Pakistani Taliban, tobacco was second only to the trade

A French customs officer checks the content of parcels before proceeding to the destruction of 14 tons of smuggled cigarettes

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of drugs. In a recent report, CAT went further, finding that many of these extremist groups are able to trade tobacco illegally using the guise of humanitarian aid.

In Europe, France is the number one country for the illicit trade of cigarettes, with 9 billion cigarettes being imported illegally in 2014 alone. European-born extremists involved in last year's deadly Paris attacks were also highlighted by CAT as players in Parisian tobacco smuggling rings. Amedy Coulibaly, a terrorist who was involved in the murder of Charlie Hebdo staff members, was found to have traded in illegal cigarettes.

Connections between cigarette smuggling and

terrorism are also made crystal clear by the operations of Mokhtar Belmokhtar, a notorious Al-Qaeda chief in North Africa, nicknamed 'Mr Marlboro' in reference to his tobacco smuggling operation. His operation was also used by Belmokhtar as a network to traffic drugs, oil and people.

The illegal trade in tobacco and its connection with terrorism has evolved since the mid-nineties, when terrorist groups began joining forces with crime syndicates in a bid to illegally trade tobacco for profit. Those profits are then used to purchase arms and ammunition, bomb-making materials, throwaway phones and fund rental cars and safe houses, in other words the nuts and bolts of a terror group.

The harm of illegally traded tobacco extends beyond those killed or wounded by those terrorists operations funded by it, extending to an individual thousands of miles removed from a terrorist hot-spot who simply purchases and uses illegal tobacco. Cigarettes sold on the black market are manufactured in unsanitary illegal factories and are made with substances such as sawdust and worse. Smugglers respect no laws, so their dangerous products can easily make their way into the hands of minors.

Of course the resulting loss in revenue governments would have collected from legal tobacco manufacturers is in the tens of billions worldwide. The World Health Organisation (WHO) estimated that in 2006 600 billion cigarettes were illegally traded, amounting to approximately 11 percent of the world's tobacco consumption. Had these products been sold legally, governments would have benefitted from USD \$40-50 billion in tax revenue. For the European Union, it is estimated that 10 billion Euros of losses occur due to the illegal trade of tobacco. This revenue could have been used to advance the public good by supporting a vast array of social programmes, including public safety and tobacco awareness education.

To sever the link between global threat groups and dam the flow of illegal tobacco profits, governments must make a concerted effort at coordinated decision-making that carefully considers how new measures to control the legal tobacco trade may tilt the balance further in favour of those profiting from the illegal trade.

Many governments are considering following Australia's lead and introducing tobacco product plain packaging that requires all legal tobacco products be sold in government-designed drab packaging devoid of any branding or trademarks. For those of us tracking the illicit trade in tobacco this is cause for concern.

Plain packaging will not make it more difficult for extremists to peddle their wares; counter-intuitively it makes it easier for tobacco smugglers to sell illegal cigarettes to customers, who are unable to identify which products are legal and which

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are being sold to fund some of the world's most dangerous extremist groups.

I have first-hand experience with the Pandora's Box with plain packaged tobacco products. In my career, I've seen what a boon 'rollies' and 'baggies' have been for tobacco smugglers. These are bundles of 200 cigarettes sold in plain plastic bags with no branding and no identifiers. They are easily sold, and not so easily traced, in smoke-shops and on the internet for as little as \$6. The sale of just one of these plainly packaged bundles deprives North American Governments of \$50.

The recent Canadian operation disrupted an organised criminal and outlaw motorcycle gang, which alone deprived Canadian federal and provincial governments of over CAD \$500 million.

Australia's effort was done in good faith in an attempt to further reduce tobacco use, particularly among children. However, since its implementation in 2012 there has been significant evidence showing plain packaging has boosted illicit tobacco trade.

Where there are no differentiating markings on cigarettes and packaging, and no certified list of ingredients, customers are put at risk, unable to rely on the strict quality controls of established tobacco manufacturers, unable to determine the origins of a given product and unaware of what it may contain.

A 2014 report published by KPMG found a 24

percent spike in illicit tobacco trading in Australia, with estimated government tax losses standing at AUD \$1.35 billion. So severe has the Australian situation become, that the Government has been forced to set up an entirely new illicit tobacco law enforcement task force.

The further introduction of plain packaging in other countries, with Ireland, France and the UK each set to do so after passing legislation, could yield similar results to those seen in Australia and inflame the illegal trade in tobacco. Governments must take into consideration how opportunistic tobacco smugglers are and how they may exploit plain packaging legislation for their benefit.

To ensure that black market tobacco syndicates are not able to exploit legislation in their favour, governments should focus more of their efforts on monitoring and stopping the illicit tobacco trade and the black markets that facilitate the use of these profits to fund criminals and terrorist groups. The introduction of plain packaging laws does not deter the existence of these illegal networks, but instead it can be argued that these laws make illegal products harder to detect, more easily placed in the hands of those most vulnerable and more readily exploitable by destabilising criminal and terrorist groups. Criminal and threat-based organisations know that law enforcement agencies dedicate very little resources to combat the illicit tobacco trade, so it isn't difficult to see why plain packaging will only embolden smugglers.

Thomas Lesnak previously served for nearly 30 years with the US Department of State and the US Bureau of Alcohol, Tobacco, Firearms & Explosives. Today he is a leading international brand integrity and security consultant working in a private practice.

A bag containing seized cigarettes is seen next to a man arrested by officers in Poland

