SMOKE RINGS

CHANGING DYNAMICS OF EUROPE'S ILLICIT TOBACCO TRADE SINCE 2022

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EXECUTIVE SUMMARY

Overshadowed by the vast legal market, the illicit tobacco trade often seems less urgent and less threatening than other illicit economies with a long history of criminalization, and so its true scope and harms are often underappreciated. The lack of attention has proven immensely profitable for illicit actors, who are able to amass large profits with low risk.

Although smoking rates in Europe have been steadily declining – a consequence of greater awareness about the health risks of tobacco use and government measures to reduce it – illicit tobacco consumption has paradoxically been on the rise across the continent. Immense profits from the illicit tobacco trade come at a cost to governments and taxpayers, depriving the state of fiscal revenue that could otherwise support the public good, including funding health services and tobacco control measures.

However, the illicit tobacco trade is more than a tax issue: in Europe, the industry has evolved into a complex, interconnected criminal economy built on coercion, exploitation and, at times, violence. Over the last five years, the illicit tobacco market in the region has undergone profound changes, making it more decentralized and agile – and harder to contain. These changes have implications for broader political processes, from financing the authoritarian regime in Belarus to generating tax revenue for the war effort in Russia and Ukraine. In Western and Central Europe, the surge in illegal production has brought new challenges, forcing law enforcement to divide its focus between securing borders against smuggling and addressing the growing threat of domestic illicit production.

In the last few decades, lucrative demand markets for illicit tobacco emerged primarily in jurisdictions where smoking rates have historically been high but throttled by steep tobacco taxes – such as the UK and Western European states like France and Germany – with suppliers in Eastern European states with large-scale tobacco production and low cigarette prices, such as Belarus, Moldova and Ukraine, capitalizing on the opportunity. In 2019, one out of four illicit cigarettes consumed in Europe originated in these post-Soviet states.[1] However, by 2023, up to 60% of illicit tobacco consumed in the EU was produced domestically.[2] Two factors are key in explaining the shift in supply dynamics: the inherent logic of any illicit market that seeks to reduce risks and maximize profits, and the increasingly volatile operational environment.

After the initial supply chain interruption caused by the COVID-19 pandemic in 2020, the escalation of political tensions between supply states and those representing the demand markets, together with disruptions in the movement of goods since the beginning of the Russia–Ukraine war in 2022,

have impacted the conventional supply dynamics of illicit tobacco in Europe. As a result, small-scale, decentralized and agile factories manufacturing counterfeit cigarettes have proliferated across the continent, often operating for only a short period in a particular location and then moving elsewhere. This 'guerrilla-style' production has grown increasingly professionalized and adept at both evading enforcement and regrouping after discovery; the large number of clandestine factories dismantled by law enforcement in recent years is probably only the tip of the iceberg.

Beyond the more obvious public health harms linked to the increased accessibility of tobacco products, the human costs of the illicit tobacco trade include the higher risks of labour exploitation of workers in illegal factories. Indeed, the proliferation of guerrilla production depends on workers skilled in cigarette manufacturing, often stemming from economically disadvantaged backgrounds in traditional supplier countries.

While guerrilla producers have benefited from the changing dynamics of Europe's illicit tobacco trade, conventional suppliers, mainly in former Soviet states, have struggled to keep up and sought to adapt by displacing the production and smuggling routes and diversifying trafficking methods by, for example, using drones and air balloons for transporting small-volume shipments across international borders.

The new operating environment is likely to persist, creating a polycentric industry, characterized by diverse actors with different operating styles. Addressing this multifaceted problem will require increased cooperation between law enforcement agencies across Europe and globally, and greater involvement of private sector enablers.

This report examines recent disruptions, adaptations and continuities in Europe's illicit tobacco trade. It maps key trafficking routes and uses Belarus as a case study of how traditional suppliers have struggled to operate amid rising political tensions. It then shows how new actors and online markets are reshaping the illicit tobacco economy in Europe. The report concludes with targeted recommendations for policymakers and law enforcement agencies.

Methodology

The report draws on fieldwork conducted by the Global Initiative Against Transnational Organized Crime (GI-TOC) in Ukraine, Romania and Slovakia, expert interviews with law enforcement officials in several EU states (including the UK, France and Poland), a thorough review of published academic and grey literature, and monitoring of online illicit marketplaces.

Only a few EU countries provide estimates of illicit tobacco consumption at the national level. This lack of accessible standardized data means that most countries rely on research conducted by the private sector or funded by large tobacco corporations.[3] Data on seizures is more widely available, but as it is often collected independently by different agencies (such as tax and customs authorities, ministries of finance and interior, and border police) it is rarely presented as a comprehensive, standardized dataset.

Industry-financed data has been widely criticized by tobacco control researchers, who point to the self-interest of tobacco corporations in promoting a narrative that is 'good for business'.[4] Indeed, tobacco control research indicates the industry's involvement in the illicit trade, with tobacco companies using smuggling as a means to expand market share and circumvent regulatory restrictions.[5]

Although industry-funded studies continue to represent some of the most comprehensive research on the issue, their findings need to be critically assessed. Some statements in this report refer to the

findings of an annual survey of the illicit tobacco trade in 38 European countries conducted by KPMG, a global consulting firm, and funded by Philip Morris International, one of the 'big four' tobacco firms. In such cases, the authors critically engaged with the KPMG findings and sought to triangulate them using other published sources and interview data.

Key findings

- The illicit tobacco trade in Europe involves both the smuggling of legally manufactured cigarettes from outside the EU and the illegal production of cigarettes in clandestine factories within the bloc, as well as the diversion of cigarettes from legal production.
- Illegal tobacco manufacturing in Europe (referred to as 'guerrilla production' in this report) has been shifting closer to principal demand markets such as the UK, France, Germany and other Western European states, accelerated by a series of external shocks since 2020.
- Traditional suppliers from countries such as Belarus and Ukraine have reoriented to regional consumer markets in neighbouring countries in Eastern and Central Europe and have experimented with alternative smuggling methods, including drones and air balloons.
- Guerrilla production in the EU has been enabled by labour mobility: workers and technicians operating the machinery in clandestine factories often come from a background in the Eastern European tobacco industry.
- The illicit tobacco trade in Europe involves a range of 'grey' actors, including transportation companies, commercial landlords, suppliers of raw materials, and digital companies that provide the infrastructure for the online illicit tobacco trade.
- The rise of e-commerce has allowed many newcomers to enter the illicit tobacco market. Interactions have become increasingly contactless, especially with vendors using small-parcel delivery services.
- Although conventional cigarettes continue to be the product of choice in European illicit tobacco markets, the consumption of e-cigarettes and other types of non-combustible nicotine products appears to be rising, posing additional risks by targeting younger demographics. Digital markets have been indispensable to the growth of this new illicit market.

INTRODUCTION: ILLICIT TOBACCO IN EUROPE

On 20 February 2025, Belgian law enforcement raided a warehouse in Lommel – a town near the border with the Netherlands. They uncovered a facility that housed four production and packaging lines operating simultaneously – the largest illegal cigarette factory to have been discovered in the country to date. Around 50 workers were on site, most of them Ukrainian, Moldovan and Romanian nationals.[6] Authorities seized over 30 million cigarettes and several tonnes of processed tobacco, counterfeit packaging materials for multiple popular brands, and a variety of production equipment. The tax losses to Belgium's economy from this facility's production were estimated at over €14.4 million.[7]

In recent years, a string of illegal tobacco production facilities have been uncovered in most of the EU's 27 states. Increased domestic production points to a worrying trend: despite declining global smoking rates,[8] the consumption of illicit tobacco is on the rise. Legal sales of tobacco products in Europe have followed a downward trajectory amid a greater awareness about the risks of tobacco use and state measures to reduce it, including higher taxes, restrictions on tobacco advertising and bans on smoking in public places.[9] However, the demand for cheaper alternatives and products that cater to specific consumer preferences but which are not available in the legal markets (for example, menthol cigarettes banned in the EU), has led to a rise in the consumption of illicit tobacco. For example, in France – a major demand market for illicit tobacco – the annual per-adult consumption of legal tobacco products in 2020 was 40% less than in 2004,[10] yet illicit consumption surged, with the country accounting for nearly half of the EU's illicit cigarette consumption in 2020.[11]

Types of illicit tobacco

Illicit cigarettes in Europe can be broadly divided into three categories: contraband, 'illicit whites', and counterfeit cigarettes.[12] While all avoid taxation and regulation, each category has distinct characteristics and supply chains.

Contraband cigarettes are legitimate products smuggled across borders without payment of duties and taxes. These are primarily produced by the 'big four' multinational tobacco companies – Philip Morris International (PMI), British American Tobacco (BAT), Japan Tobacco International (JTI) and Imperial Brands (IB) – and are diverted from legitimate supply chains. The diversion can occur through mechanisms such as production overruns, quota circumvention or diversion of legally exported cigarettes.

Illicit whites, sometimes called 'cheap whites', are cigarettes in the lower price segment that are legally manufactured as products intended for domestic consumption, but smuggled to jurisdictions where they are not legally available. Common illicit white brands include Minsk, NZ, Fest and Jin Ling. These products have dominated the illicit supply from Belarus, Ukraine and Moldova.[13] Illicit whites consumed in Europe are also produced in the United Arab Emirates (UAE),[14] China and other jurisdictions.[15]

Counterfeit cigarettes are illegally manufactured fake copies of known tobacco brands. The production typically takes place in clandestine facilities and is not subject to quality controls or safety regulations, leading to these cigarettes often containing hazardous substances.

However, a clear categorization is not always possible. For instance, counterfeit copies of popular illicit white brands have become more widespread, and the high quality of counterfeit production has rendered these fraudulent copies virtually indistinguishable from legitimate brands. As a result, these products are often grouped under the broad term 'illicit tobacco' in the literature and media reports.

Apart from illicit cigarettes, the illicit tobacco market also includes e-cigarettes and vaping products, heated tobacco products, smokeless tobacco products such as snus and naswar, as well as waterpipe tobacco. Although cigarettes dominate the illicit tobacco trade, interviews during the research revealed a significant concern about the growth of illicit markets for other nicotine products. ∎

SMUGGLED LEGITIMATE PRODUCTS		COUNTERFEIT PRODUCTS
'BIG FOUR' BRANDS	**ILLICIT WHITES**	**'BIG FOUR' BRANDS + ILLICIT WHITES**
Winston (JTI), Marlboro (PMI), Dunhill (BAT), Nobel (IB)	Minsk, NZ, Fest (Neman tobacco factory, Grodno, Belarus), Jin Ling (Baltic Tobacco Company, Kaliningrad, Russia)	Illegally manufactured in clandestine factories domestically and abroad; most commonly counterfeited brands: Marlboro, Winston, Richmond, Rothmans, Lambert & Butler

FIGURE 1 Types of illicit cigarettes.
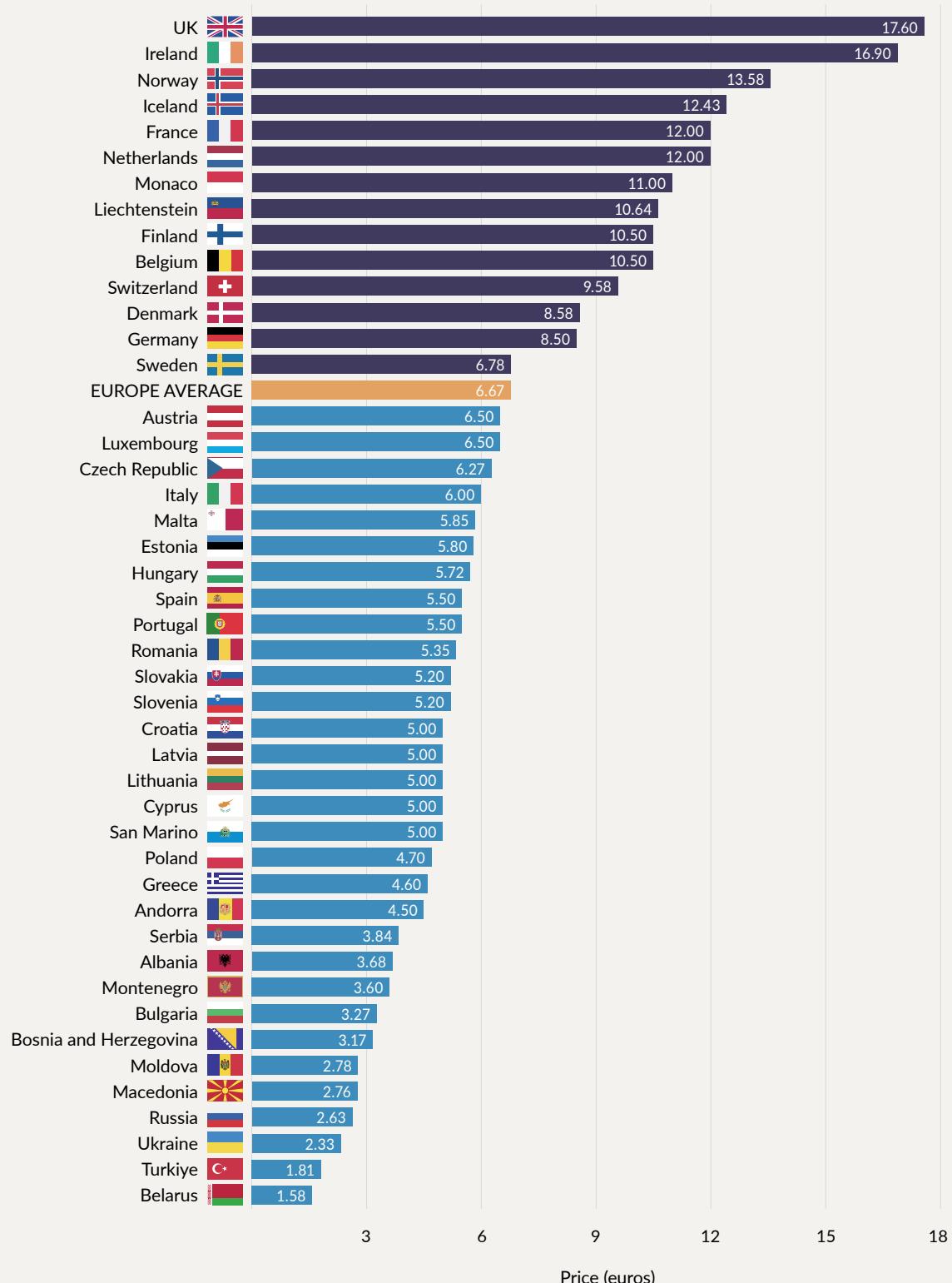
FIGURE 2 Average retail price of a pack of 20 cigarettes in Europe in 2025.

In 2014, the World Health Organization (WHO) warned that Europe not only had the highest rate of tobacco-related deaths but also ranked highest in the world with regard to the number of illicit cigarettes seized.[16] In the ensuing decade, this pattern has not changed much. According to a widely cited estimate by KPMG, roughly 10% of all cigarettes consumed in the EU are thought to be illicit.[17]

Prices of tobacco products vary greatly even within the EU. For instance, prices of tobacco products were almost double the EU average in France in 2024, whereas in Romania, prices were around half the EU average. Price differences are even more marked when non-EU states are considered: tobacco prices in Türkiye were 74% lower than the EU average.[18] A packet of a popular cigarette brand costs around €17 in the UK and €10 in France, while it can be bought for around €4 in Bulgaria and under €3 in Ukraine. These price differences make smuggling products from low-tax to high-tax jurisdictions, as well as the illegal manufacturing of non-excise cigarettes that may cost about half the legal price, highly lucrative.

Dispersed flows and regional hubs

Illicit cigarettes consumed in Europe have been sourced from countries as far away as China, the UAE[19] and South Korea.[20] Containers carrying illicit cigarettes regularly arrive in seaports in Antwerp, Rotterdam, Hamburg[21] and Marseille.[22] Large international airports in the high-value demand markets – for example, in Frankfurt,[23] Vienna[24] or Geneva[25] – are used for low-volume, high-frequency tobacco smuggling from Türkiye, Egypt and other source countries in Africa and Asia.

Cigarettes are often transported by couriers – air passengers who conceal illicit products in their luggage, commonly referred to as 'mules'. To evade strict controls in high-value demand markets such as France and the UK, couriers often travel to other EU countries by plane and continue to end-markets over land. For instance, cigarettes displaying Turkish excise stamps are often trafficked by air from Türkiye to Germany, from where they are moved to France and the UK by train and bus. According to a European law enforcement official, couriers, who are often Bulgarian and Romanian citizens, tend to travel in large, organized groups (25–50 people) intended to overwhelm customs enforcement capacity and minimize the risk of detection.[26] Higher-volume smuggling from Türkiye also takes place by means of land transport (trains and trucks).[27]

Cigarettes from the UAE, the country that supplies up to 25% of illicit tobacco globally, have been smuggled into Europe via routes transiting the Middle East, Western Balkans and Eastern Europe.[28] Dubai's Jebel Ali Free Zone (Jafza) is a key global production and distribution centre for illicit tobacco, including for European demand markets.[29] Within this zone, cigarettes, as well as machinery and raw materials, are exempt from duties.[30] Illegal producers in the UAE are capable of counterfeiting multiple cigarette brands on demand – a service that is used by European organized criminal groups.[31] Containers with illicit cigarettes from Dubai are often shipped via South East Asian states such as Singapore, Vietnam and Thailand.[32] Counterfeit cigarettes produced in illegal factories in Indonesia[33] and other South East Asian countries also reach Europe, although data on volumes is lacking.[34]

Despite the existence of a global supply chain, regional hubs have played an important role in Europe's illicit tobacco trade owing to their proximity to the demand markets and low domestic cigarette prices. Over time, several prominent routes have emerged, catering to demand markets in different parts of Europe.

At the EU's southern borders, the Western Balkan states have a long-standing illicit tobacco production industry that caters for local, regional and global demand markets, with Montenegro and Serbia acting as major distribution centres for products moved into Western Europe (for illicit tobacco produced in the region or shipped from farther afield). South-eastern and southern European countries such as Bulgaria, Greece and Türkiye represent hubs for the production and distribution of illicit tobacco.[35]
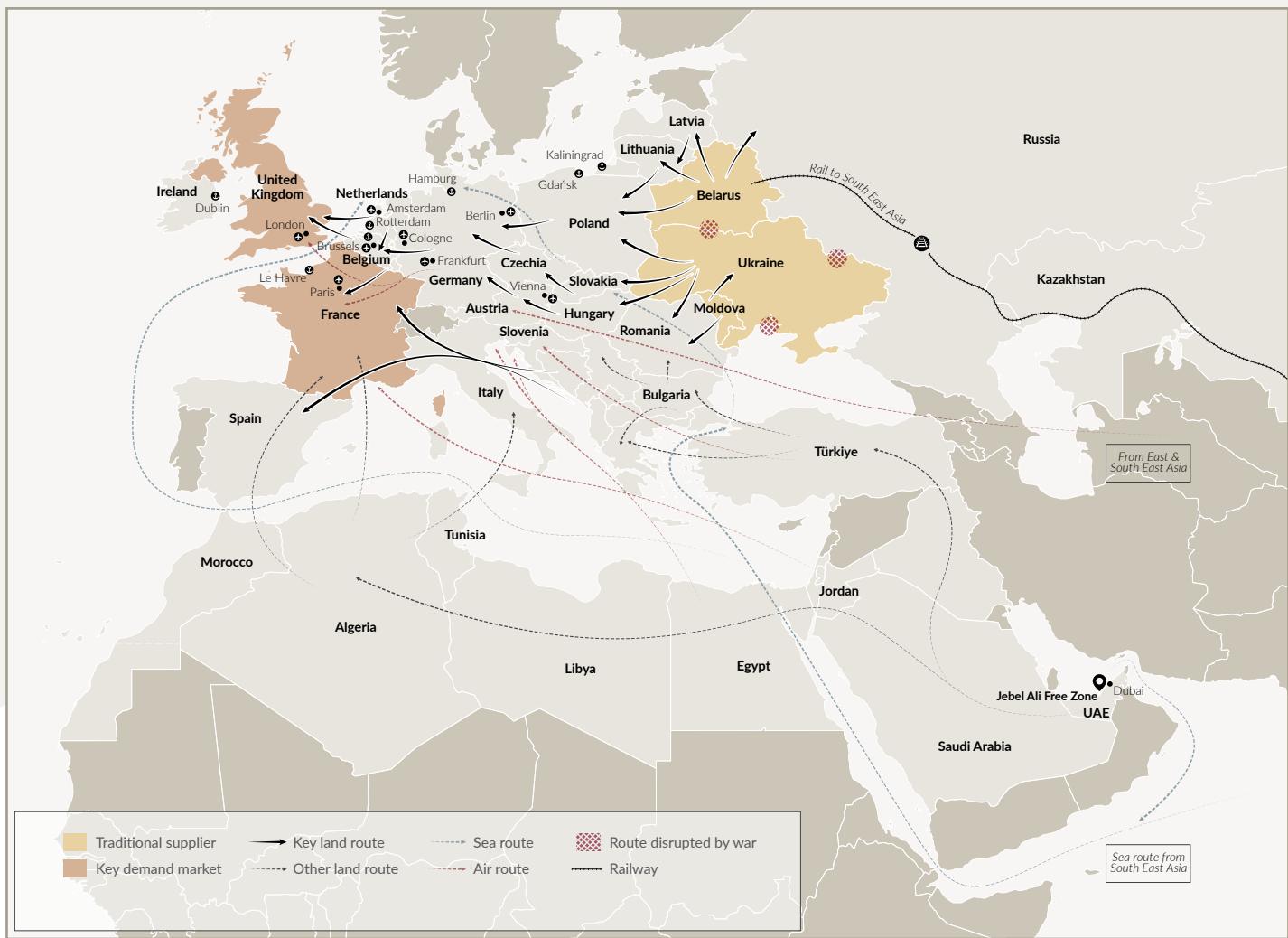
FIGURE 3 Key smuggling routes for illicit tobacco products into Europe.

Seaports in Western Europe, such as in the Netherlands, Belgium, Spain, Italy and southern France, have long served as entry points for illicit tobacco from North Africa and the Sahel, with Algeria, Tunisia and Morocco representing the major source and transit countries.[36]

However, the bulk of the illicit cigarettes consumed in the EU and the UK is supplied by a few Eastern European states, including Belarus, Ukraine and Moldova.[37] Owing to their proximity to major supply countries and much lower prices for tobacco products, Eastern European states along the EU's external borders have become an epicentre of illicit tobacco flowing into the EU.[38]

Large volumes of illicit cigarettes are generally smuggled into the EU in trains and trucks, with Slovakia and Hungary being entry points from Ukraine, Romania for cigarettes originating from Moldova and Ukraine, Poland for products from Belarus and Ukraine, and Lithuania and Latvia facilitating entry from Belarus.[39]

Russia previously played an important role as a source and transit country for illicit cigarettes, especially via the Rostov-on-Don port and the Kaliningrad exclave. However, the route via Rostov-on-Don, which ran through Ukraine, was disrupted after the Russian annexation of Crimea in 2014 and the beginning of the conflict in the Donbas. The traffic via the Kaliningrad route has decreased as a result

of stricter border controls by neighbouring Poland and Lithuania amid the increasing tensions with Russia. However, recent seizures of cigarettes and other goods, such as amber,[40] show that some smuggling activity continues.[41]

Although the illicit tobacco trade is a multipolar economy that spans most countries in Europe as production, transit or destination markets, this report focuses on the changing dynamics between the traditional supply countries in Eastern Europe and demand markets in Western Europe. In Eastern Europe, the illicit tobacco powerhouses in the post-Soviet states have been directly affected by the Russo-Ukrainian war, which has disrupted the established production and trafficking routes, while in Western Europe, the war has accelerated the shift to local production amid the shortages of supply from these countries. Further research is needed to determine how the illicit tobacco trade dynamics are changing in other European hubs, such as the Western Balkan and southern European regions, which are indirectly affected by the war in Ukraine and political turmoil in Eastern Europe.

The harms of illicit tobacco

Illicit tobacco may be seen as a victimless and low-impact crime; however, its harms are manifold and tangible.

Apart from the health risks associated with smoking, counterfeit tobacco products pose additional threats, as they are generally manufactured in unregulated and sub-standard conditions and with the use of potentially danger-ous materials.[42] Furthermore, illicit trade makes smoking more accessible by lowering the cost of consumption and removing legal barriers to purchasing tobacco products. In this way, it disproportionately affects the youth and low-income populations.[43]

The illicit tobacco trade also diverts billions in tax revenue that could have been spent to benefit citizens. In 2023, the EU suffered an estimated €11.6 billion in tax losses due to illicit cigarette consumption.[44] France, a country particularly affected by illicit tobacco consumption, loses an estimated €7.3 billion in tax revenues every year.[45] The UK faces an annual shortfall of around £2.5 billion (close to €3 billion) owing to the illegal tobacco trade.[46]

Illicit tobacco revenues serve as venture capital for organized crime groups in Europe and beyond.[47] Clandestine production often occurs in exploitative environments, with workers on tobacco fields and in illegal production facilities sometimes being subjected to debt bondage.[48] The illicit tobacco market is further linked to the financing of militant organizations, from Hezbollah[49] and al-Qaeda in the Islamic Maghreb[50] to the Irish Republican Army,[51] thus posing a threat not only to public health, but also to global security.   ∎

The rise of post-Soviet suppliers

Previous research has identified several factors that enabled countries such as Belarus, Ukraine and Moldova to emerge as prominent illicit tobacco suppliers in the region, including the proximity to high-tax demand markets, the presence of high-level corruption, a weak formal economy, high social acceptance of smuggling and high levels of organized criminal activity.[52]

In the aftermath of the collapse of the USSR in 1991, former Soviet republics struggled to build robust governance structures, leading to widespread corruption within law enforcement and government institutions. Corrupt officials often turned a blind eye to and, in some cases, facilitated smuggling

operations. The historical legacy of the Soviet tobacco industry meant that large factories, such as the Neman tobacco factory in Grodno, Belarus, continued operating, routinely surpassing their production quotas and producing far more cigarettes than the domestic market could absorb. The collapse of state-controlled industries and formal economies in the wake of the USSR's dissolution (for instance, Ukraine's economy shrank by nearly half between 1990 and 1994[53]) further entrenched illicit trade as a survival strategy for some population groups.

The EU's eastward expansion in the past 20 years led to a surge in contraband flows from several source countries. The accession of Poland, Hungary and the Baltic states, leading to the removal of internal border controls under the Schengen Agreement in 2007, facilitated legitimate trade but also inadvertently enabled smuggling networks. Rising excise taxes on tobacco in Western Europe, intended to discourage consumption, created a substantial price gap between legal and illicit products and fuelled the demand for cheaper alternatives.[54]

Large-scale cigarette smuggling by trains and trucks became a common smuggling method. However, the precarious economic situation in the post-Soviet states led to an increase in small-scale smuggling activities, which, in some cases, provided a source of livelihood. At the EU's external borders, so-called 'ant smuggling' from Belarus, Ukraine and Moldova became commonplace. These smugglers were typically not part of large organized networks, but instead worked alone or in loosely organized groups. Smugglers were occasionally reported to simply throw parcels over the fence to avoid having to cross a border, with partners operating on the other side then picking up the goods.[55] Smuggled cigarettes were also frequently transported by road, hidden in cars (for instance, behind fake doors or double-walled fuel tanks), luggage or in the smugglers' clothes.[56] However, these small-scale smuggling activities were disrupted by the war and the closure of borders.[57]

The role of non-government-controlled areas

The areas outside governmental control have been central to the illicit tobacco economy in both Moldova and Ukraine. In Moldova, the separatist region of Transnistria serves as a hub for both production and distribution of illicit cigarettes, with the smuggling ecosystem propped up by the special treatment of local businesses. Before 2023, Transnistrian-based companies were exempt from paying taxes to Chisinau (only the levies to Tiraspol had to be paid) on goods imported to the region and exported outside Moldova, to avoid double taxation.[58] Thus, businesses involved in illicit operations, particularly the many duty-free shops operating in the region,[59] enjoyed an operating environment comparable to Dubai's Jebel Ali Free Zone.

However, a series of recent policy interventions, including excise stamps having to be added to all cigarette packages exported from Transnistria, introduced in 2021, have led to some success in combating tobacco smuggling. Moldova's accession to the Protocol to Eliminate Illicit Trade in Tobacco Products, a treaty supplementing the WHO Framework Convention on Tobacco Control, in 2022 demonstrated the commitment to addressing the issue.[60]

In Ukraine, the self-proclaimed Donetsk and Luhansk people's republics have been woven into the regional illicit tobacco economy spearheaded by Russia.[61] The two pseudo-states have relied heavily on the production and transit of counterfeit goods since the demise of the coal industry,[62] illicit tobacco chief among them. Several large tobacco companies, including the Khamadey Tobacco Company in Donetsk,[63] the Donetsk Tobacco Factory in Debaltseve and the Luhansk Tobacco Factory, have been reported to be involved in the production of counterfeit cigarettes and the smuggling of cheap whites

from Belarus and Russia.[64] Before the full-scale Russian invasion of Ukraine in 2022, almost half of all illicit tobacco sales in Ukraine were concentrated in the regions bordering Donetsk and Luhansk.[65]

A state-sponsored illicit tobacco enterprise: the case of Belarus

In Belarus, illicit tobacco has become a deep-rooted, industrial-scale operation, facilitated by state-embedded actors and marked by high-level corruption.[66] In recent years, the Belarusian regime and the businesses close to it have come under fire from neighbouring states, such as Poland and Lithuania, for facilitating large-scale illicit tobacco smuggling. Minsk has denied these charges, stating that the illegal cigarette factories operating in Poland produce counterfeits under the guise of Belarusian brands.[67] However, illicit cigarettes originating from Belarus continue to be among the most widespread in the EU.[68]

Belarus's government stopped publishing statistical data about domestic tobacco production and consumption in 2015. The last available data is likely a significant overstatement of domestic consumption to conceal the large-scale smuggling of Belarus-origin cigarettes abroad, given internal market estimates and the country's population. The national production quota for the internal market (Belarus does not set export quotas for tobacco products) was set at 30 billion cigarettes per year. With a population of around 9 million, this translates to every Belarusian citizen smoking half a pack of cigarettes daily. An independent assessment suggested a realistic domestic consumption of around 18 billion cigarettes. Around 13 billion cigarettes are exported; of this amount, approximately 65% end up in Russia and 35% in the EU.[69]

Cigarette smuggling infrastructure in Belarus is well established. Smuggling to Europe appears to be facilitated by private companies with ties to the regime.[70] One such company, sanctioned by the EU, the US, Canada, France, Switzerland and others, received government concessions for the construction of customs and logistics centres at the main crossings for commercial cargo on the border with Poland, through which much of the contraband flowed into the EU.[71] The company received additional financial and tax benefits in the Bremino–Orsha special economic zone (SEZ) created by a presidential decree in 2019.[72] According to an investigative report, as well as cigarettes, the SEZ was used in several smuggling and sanctions-evasion schemes, including supplying Russia with sanctioned food products and flowers – a highly lucrative business.[73] In 2017, a 'single commodity distribution network' in the tobacco sector, according to independent media reporting and research, was created at the behest of Belarus's authoritarian ruler. The move led to the consolidation of the country's tobacco industry and put it in the hands of businesspeople close to the regime.[74]

Sanctions designations point to the Neman tobacco factory in the Belarusian city of Grodno as a major source of illicit cigarettes in the EU.[75] Already a decade ago, a third of the factory's production (around 6.5 billion cigarettes per year) was believed to be smuggled to the EU and the UK.[76] Reporting has estimated that around half a million cigarettes sold illegally in the UK annually were produced in the Neman factory,[77] while, in Lithuania, a study found that Neman-produced cigarettes accounted for the vast majority of the domestic illicit tobacco consumption.[78]

Only 20 kilometres from the Neman factory, the border crossing into Poland has seen large-scale cigarette smuggling and the smuggling of migrants. According to EU sanctions listings, during the migration influx orchestrated by Belarus at its EU borders since 2021, facilities operated by a private company at the Bremino–Bruzgi crossing were used to harbour irregular migrants seeking to enter the EU.[79] This convergence may indicate the existence of smuggling infrastructure used for different types of illicit activities.

SHIFTING DYNAMICS

The illicit tobacco trade has undergone profound changes in the past two decades. Twenty years ago, illegal domestic production in clandestine factories was of a small scale, artisanal and not highly organized, with manufacturing concentrated in countries in Eastern and south-eastern Europe, such as Ukraine, Moldova, Poland and Bulgaria.[80] However, the manufacture of illicit tobacco products in the EU has increased sharply since 2020, and so has its level of organization and professionalism (see timeline on p. 13).

It is likely that the 'nearshoring' of the illicit tobacco production – moving the production closer to the consumer markets in Western Europe such as France and the UK – was primarily motivated by the desire to cut transportation costs and reduce the risk of detection when crossing borders. The shift was further enabled by the increased availability of raw materials in the EU and greater mobility of the specialized labour force from the traditional supply countries in the post-Soviet bloc. However, artisanal domestic production could not rival the industrial-scale operations of the traditional supply countries.

A more pronounced shift to domestic production was observed in the EU during the COVID-19 pandemic in 2020.[81] The disruption of supply chains due to the pandemic has likely accelerated the shift toward nearshoring, as shorter supply chains allowed criminal actors to minimize the impact of travel restrictions and shipping delays. In the ensuing years, an increasing number of more sophisticated clandestine factories have been discovered by law enforcement.[82]

The rise of guerrilla-style production in the EU – referring to small-scale, decentralized and agile factories manufacturing counterfeit cigarettes – coincided with the disruption of supply from traditional players in Eastern Europe. The EU's relations with the regimes in both Belarus and Russia have deteriorated owing to the suppression of the pro-democracy movement in Belarus during the 2020 popular protests, Belarus's role in manufacturing a migration crisis on the EU's borders since 2021 and the increasing Russian aggression towards Ukraine (enabled by Belarus as Russia's close ally). As a result of the war, international sanctions and borders being secured, the movement of people and goods across the EU's eastern borders has been severely restricted. Since 2022, the Russo-Ukrainian war has brought further disruption to Europe's illicit supply chain.

2000
- Illegal factories begin appearing in the EU.
- Factories are largely artisanal and small-scale.

2019
- Most illicit tobacco consumed in the EU is produced outside its borders.
- 1 out of 4 illicit cigarettes is produced by traditional illicit suppliers.

2020
- COVID-19 pandemic begins; Belarus cracks down on democratic protests, leading to international sanctions.
- Half of illicit cigarettes consumed in the EU are consumed in France.

2021

Migration crisis at Belarus's borders leads to enhanced border enforcement; smugglers begin using air balloons and drones.

2022
- Full-scale Russian invasion of Ukraine.
- Moldova's accession to the WHO Framework Convention on Tobacco Control.
- Largest volume of intercepted cigarettes per year in Lithuania.
- EU authorities seize over half a billion illicit cigarettes.

2023
- 60% of illicit cigarettes consumed in the EU are manufactured within EU's borders.
- 113 illegal factories dismantled across 22 countries.

2024
- 10% of all cigarettes consumed in the EU may be illicit.
- Ukraine criminalizes smuggling of excise goods.

2025

Largest illegal factory in Belgium dismantled in Lommel, 30 million cigarettes seized.

FIGURE 4 Key events affecting the illicit tobacco trade in Europe.

Impact of sanctions

The supply of illicit tobacco through the Eastern European route has been partially interrupted since 2020 following a comprehensive sanctions regime instituted on Belarus by the EU, the US, the UK, Canada and Switzerland. The sanctions were introduced in response to the Belarusian authorities' repression of peaceful protests after fraudulent presidential elections in 2020, as well as the regime's role in facilitating a migration crisis at the EU's eastern borders since 2021 and its participation in the Russian aggression in Ukraine since 2022. The widespread closure of borders ensued: as of July 2025, only four of the 18 official border crossings between Belarus and the EU remained open.[83] Although the restrictions primarily concerned passenger travel and cargo crossing in trucks, stricter controls of rail freight have made cigarette smuggling operations more difficult.

Since the beginning of the full-scale Russo-Ukrainian war in 2022, the EU and its partners have adopted 19 sanctions packages targeting Russia and Belarus.[84] These individual, financial and economic sanctions sought to target the industries crucial for financing the regimes in Russia and Belarus, as well as to block Russia from circumventing sanctions through Belarus.[85] Among the industries targeted were the Neman tobacco factory and the private factories Tabak-Invest and Inter Tobacco;[86] the Bremino Group; and several businesspeople operating in Belarus's tobacco industry who had enjoyed preferential treatment under the regime of Aleksandr Lukashenko,[87] Belarus's authoritarian leader since 1994.

There is no consensus about the effectiveness of sanctions in disrupting the illicit tobacco economy.[88] In fact, sanctioned individuals have been linked to new tobacco distribution companies that emerged in the last few years and to the continued large-scale smuggling of illicit tobacco.[89] Although sanctions have led to some global tobacco firms limiting or ceasing their operations in Russia and Belarus, BAT and JTI continue operations in Russia. If these transnational tobacco companies choose to resume operations in Belarus, a new licensing agreement could be signed between the Russian subsidiaries and the new players in the Belarusian tobacco industry who are not subject to sanctions.[90] Simultaneously, bans on the export of raw materials for cigarette manufacturing to Russia and Belarus have led the tobacco industries to seek new suppliers in China and India[91] (before the full-scale Russian war began in 2022, raw materials for cigarette manufacturing in Belarus were mostly sourced from the EU).[92]

Despite the potentially limited effectiveness of sanctions, including import bans, on the illicit tobacco trade (as evidenced by evasion schemes[93]), some sanctions had unintended implications for cigarette smuggling. For instance, the import ban on potash fertilizers and timber, which were commonly used to conceal illicit cigarettes smuggled across the EU borders in train cargo, was credited with a drop in cigarette smuggling to Lithuania in 2022.[94] However, the large amounts of smuggled Belarus-origin cigarettes intercepted later that year (Lithuania intercepted more cigarettes in 2022 than in any single year) suggest that smugglers diversified concealment and transportation methods, including increasingly using drones, air balloons, rafts and underground tunnels in addition to the more traditional smuggling in trains and trucks.[95]

After an initial dip in supply amid value chain disruptions,[96] cigarettes continued to be smuggled from Belarus into the EU, mainly targeting neighbouring demand markets such as Poland. For example, in 2023, the total value of illicit Belarusian cigarettes smuggled to Poland increased 12-fold,[97] and in November that year, Polish customs authorities seized a record number of around 1.2 million packs of illicit cigarettes transported in trucks from Belarus in one day.[98] Lithuania also reported the largest seizure of illicit Belarusian cigarettes in 20 years (valued at €2.6 million) in January 2023, hidden in railway cargo transporting sunflower pellets.[99]

Smuggling appears to have regained momentum in Lithuania. In the first two months of 2025, 2 million packs of Belarus-origin illicit cigarettes were stopped from entering Lithuania's black market – nearly twice the amount seized during the previous year. Although violence has historically been rare in tobacco smuggling operations, as smugglers prefer to remain under the radar and avoid confrontation with law enforcement, several recent incidents in Lithuania and Poland have seen border guards being hit by cars as smugglers attempt to escape.[100]

Although the trend in seizures does not provide a clear indication of the changing scope of the illicit market – in fact, the more robust controls at Belarus's EU borders may have resulted in the spike in seized illicit cigarettes in 2022 – it does point to ongoing smuggling activity.

War disruptions

The full-scale war in Ukraine has disrupted the traditional tobacco smuggling routes since 2022. The Russian blockade of Ukraine's Black Sea ports, such as those in Odesa and Chornomorsk, means that it has been impossible to use seaports for the smuggling of illicit tobacco. As a result, smuggling operations have been rerouted. Containerized cargo carrying large shipments of illicit tobacco from the UAE, China[101] and Türkiye have been redirected to seaports in Bulgaria and the Western Balkans.[102] Cigarettes from Transnistria have had to be smuggled through Moldova's western land border with Romania.[103]

The militarization of the border between Belarus and Ukraine has led to a virtual cessation of the illicit tobacco supply into Ukraine, which previously represented an important transit country with a growing domestic demand market.[104] While Belarus-origin tobacco no longer transits through Ukraine en route to the EU, Ukraine-origin illicit cigarettes continue to be smuggled to neighbouring EU states, such as Romania, Hungary, Poland and Slovakia.[105] Smuggling has become more consolidated, driven by organized crime groups rather than small-scale smugglers,[106] despite the Ukrainian government taking steps to crack down on the illicit tobacco trade.[107]

Chernivtsi in south-western Ukraine – a region that has long played a vital role in cross-border cigarette smuggling between Ukraine and the EU[108] – has seen continued trafficking operations. In one high-profile case in 2024, counterfeit cigarettes worth over €1 million were seized from a trafficker who was allegedly responsible for renting warehouses used as storage facilities for counterfeit cigarettes destined for the EU.[109] In July 2025, the head of customs in Chernivtsi was exposed for providing protection to an organized crime group smuggling cigarettes disguised as mineral wool from Ukraine to Romania.[110]

Despite the war having disrupted supply routes through the Donbas region[111] and the national crackdown on illegal cigarette manufacturing leading to temporary pauses in production,[112] manufacturing in Ukraine has resumed. A report by the UN Interregional Crime and Justice Research Institute claims that important sites of semi-legal production include Vynnyky Tobacco Factory located close to Lviv and Ukrainian Tobacco Production LLC in Hoshcha in western Ukraine, as well as United Tobacco in Zhovti Vody in the Dnipropetrovsk region in central Ukraine.[113] Some sources estimate that more than half of all cigarettes produced for export and illegally sold in Ukraine originate from the Vynnyky factory.[114] Others suggest that the factory may be responsible for 64% of illegal tobacco production in the country.[115]

Illicit production in Ukraine supplies a growing domestic demand market: the consumption of illicit tobacco has been on the rise amid the overall decline of outflows since 2016.[116] Reports suggest that the increased illicit tobacco consumption in Europe in 2023 is located mainly in Ukraine (followed by the UK and Greece).[117] Fieldwork conducted by the GI-TOC in Ukraine and neighbouring countries suggests that 'reverse smuggling' may have become more widespread, with illicit cigarettes brought to Ukraine from Moldova. Growing consumption may be partially explained by war-related stress, with high consumption seen among soldiers.[118]

Consumption of illicit tobacco in Ukraine has been on the rise for several years and, more recently, has been partly attributed to the war. © Ed Ram/Getty Images

Beyond its effects on the production and smuggling of illicit tobacco, the war has drawn attention to the losses to state budgets caused by the illicit tobacco trade, with both Ukraine and Russia having taken steps to crack down on cigarette smuggling.[119] Ukraine, for example, has stepped up its cooperation with the EU to dismantle illicit tobacco networks, instituted stricter controls at borders, and launched awareness campaigns targeting consumers.[120] In January 2024, Ukraine also criminalized the smuggling of excisable goods such as tobacco, alcohol and fuel (criminal liability for the smuggling of other goods was introduced in July 2024).[121]

Russia, which has historically tolerated large inflows of Belarusian illicit cigarettes and was seen as the main demand market, has also sought to curb cigarette smuggling. Amid the continuing war, losing revenue to the illicit tobacco trade became an indulgence that the Russian state could no longer afford.[122] Russia's decision caused significant concern among the Belarusian authorities,[123] with Lukashenko promptly reacting by announcing increased state control of the tobacco industry and emphasizing the importance of the sector to the country's economy.[124]

Traditional suppliers' new strategies

Amid border closures, stricter controls with regard to rail cargo and war disruptions, smugglers were forced to innovate. Weather balloons and drones have increasingly been used for smuggling small volumes of illicit tobacco.[125] This method is largely associated with the smuggling of cigarettes of Belarusian origin, after all three its neighbouring EU states erected border walls in 2024 to curb the inflow of irregular migrants and increasingly began using video surveillance and thermal imaging to detect irregular crossings.[126]

Air balloons used for smuggling are typically equipped with GPS trackers, allowing smugglers on the EU side to locate the illicit cargo easily.[127] One balloon can transport 1 000–2 000 packs of cigarettes – a much smaller amount than consignments hidden in vehicles or railway cargo. In 2024, Lithuanian authorities intercepted 226 hot air balloons and 54 drones carrying illicit cigarettes,[128] and around 250 incidents of smuggling balloons were recorded in September alone, prompting a discussion on the possible use of firearms by border guards to shoot them down.[129] Poland also recorded the use of GPS-equipped latex weather balloons that can fly at altitudes of up to 3 000 metres and travel up to 700 kilometres.[130]

Drones used for smuggling are typically rudimentary, self-manufactured devices.[131] This smuggling method possibly follows the trend widely reported in the illicit drug market.[132] While drones were used to smuggle illicit cigarettes from Ukraine to the EU before the war,[133] the method recently became more common for small-scale illicit cigarette shipments from both Belarus and Ukraine.[134] Other inventive smuggling methods include makeshift rafts camouflaged to look like chunks of ice or covered with tree branches, which are sent floating down the Daugava River from Belarus to Latvia.[135] Underground tunnels have also been uncovered, possibly used for the smuggling of illicit goods but large enough to allow for the passage of smuggled migrants.[136]

Such smuggling operations require the participation of actors on both sides of the EU border, and tobacco-smuggling organized crime groups involve citizens from countries along the supply chain. In 2024, Europol found that Belarusian citizens held leadership positions in Eastern European criminal networks, whose activities include cigarette smuggling, drug trafficking, migrant smuggling and online fraud.[137] Fieldwork conducted by the GI-TOC suggests that Ukrainian and Polish citizens also hold leadership roles in tobacco smuggling groups.[138] Individuals from the traditional illicit tobacco supply

and transit countries are often discovered to be involved when large seizures of illicit tobacco are reported by law enforcement or clandestine factories are disrupted. For instance, in 2023, cooperation between Europol and Polish law enforcement led to the disruption of an organized crime group that was suspected of trafficking large-scale tobacco shipments from Belarus to Poland. Members of the group were further linked to drug trafficking operations in the UK, Spain and the Netherlands.[139]

Method	Volume (packs/ shipment)	Volume (cigarettes/ shipment)	Estimated tax loss	Seizure location
Maritime containers	700 000	14 million	€3.5 million	Port of Hamburg, Germany
Truck	495 000	9.9 million	€1.8 million	Dresden Customs, Poland–Germany route
Rail freight	241 000	4.8 million	€900 000	Lublin Customs, Poland, Belarus–Poland train
Air passenger luggage ('mule' group)	8 500	170 000	€35 000	Vienna International Airport, Austria, upon arrival from Cairo, Egypt
Private vehicles	2 250	45 000	€8 900	Heidesee, Germany
Drones/air balloons	1 500	30 000	€5 900	Bargłów Kościelny, Poland, air balloon from Belarus

FIGURE 5 Methods of cigarette smuggling, based on recently reported seizures.
SOURCES: Media and government reporting.

Despite their advantages, including the lower risk of detection, alternative shipment methods like air balloons and drones are only suitable for small-scale shipments. Even with the increasing frequency of such operations, illicit tobacco flows are inevitably considerably lower than what can be achieved with traditional methods like smuggling by rail or in containerized cargo.

An emerging trend for large-volume shipments reported by several law enforcement officials includes circuitous routing via third countries. Authorities in Western European ports have apprehended consignments of illicit cigarettes originating from Belarus, shipped in containers from ports in South East Asia or the UAE. While it is not clear how illicit cigarettes arrive in the transshipment location, shipments possibly transit Russia and Kazakhstan by rail. Such complex routing schemes are believed to be fairly cost effective for large-scale shipments, as the profits made from selling illicit cigarettes in high-value markets in Western Europe overshadow shipping costs (a container carrying 10 million cigarettes can yield around €500 000 in revenue, while shipping costs from South East Asian to European ports are not likely to exceed €10 000).[140] Smugglers are further likely to take advantage of the criminal networks operating in the ports, as well as overstretched customs capacity and the lower rate of inspection of shipments from Asia compared with those from Latin America, which are more commonly checked because of cocaine trafficking risks.

Guerrilla production in Europe

Illegal tobacco factories have proliferated across the EU over the past five years, fuelled by high taxation in major demand markets, stricter border controls, increased law enforcement scrutiny at the EU's eastern borders and war disruptions.[141]

FIGURE 6 Locations of dismantled clandestine tobacco factories in Europe since 2022.

In 2023, up to 60% of illicit tobacco on the EU market was produced domestically, according to the European Anti-Fraud Office (OLAF).[142] In that year alone, law enforcement dismantled 113 illegal cigarette factories across 22 European countries,[143] with increasing volumes of illicit tobacco seizures recorded in several locations.

Recent law enforcement operations have uncovered large and sophisticated illicit tobacco factories in countries previously not recognized as major suppliers. High-profile seizures in Spain (2023),[144] Latvia (2024)[145] and Belgium (2025)[146] revealed facilities equipped with professional production machinery and running several shifts over a 24-hour operations schedule. Belgium and the Netherlands have become especially prominent production and distribution sites, largely owing to their location close to demand markets such as France and the UK, as well as lenient sentences for illicit cigarette trade.[147] Dutch authorities seized the same volume of cigarettes in the first nine months of 2024 as in the whole of 2023,[148] while illicit tobacco consumption in Belgium has increased by 20%, reaching almost a third of the total tobacco consumption in the country.[149] Similarly, Poland – once a notable transit hub – has transformed into a major illicit manufacturing centre, with 19 illegal factories dismantled in 2023, and 16 in 2024.[150] In Germany, a small but growing number of illegal factories have been dismantled each year since 2022.[151] Spain and France have also experienced a surge in domestic

production, with major raids in Madrid, Lucena and Normandy uncovering extensive counterfeit operations.[152] Although the marked increase in dismantled factories across Europe reflects enhanced law enforcement capabilities and better intelligence sharing, it also indicates a broader structural shift in illicit tobacco production – one that increasingly favours domestic manufacturing over traditional smuggling routes.

It is noteworthy that the production volume in a clandestine factory is significantly lower than in industrial facilities. An illegal factory can produce 1–1.5 million cigarettes a day, depending on the size of the facility and the age and condition of the machinery.[153] For comparison, the Neman tobacco factory in Belarus can produce around 55 million cigarettes a day, not accounting for potential overproduction.[154] However, the proliferation of illicit manufacturing facilities ensures a steady supply of illicit tobacco and thus production has become more decentralized.

Illegal factories also operate in traditional supply countries such as Ukraine[155] and Moldova,[156] despite some clandestine facilities having relocated their operations from Ukraine to Poland and other EU states since the beginning of the Russo-Ukrainian war.[157]

Counterfeit or contraband?

In recent years, production of counterfeit cigarettes in illegal factories has dominated the discussion around the illicit tobacco market in Europe, mainly because of the media's reporting on high-profile cases of dismantled factories. Industry-funded research has supported this argument, consistently reporting a declining share of contraband cigarettes compared with the growth in the production of both illicit whites and counterfeit cigarettes.[158] In the past, critical voices among tobacco control researchers disagreed with this assessment, suggesting that the role of counterfeiting in the illicit tobacco trade is intentionally inflamed by major tobacco companies to downplay their involvement.[159]

However, recent growth of counterfeit production has been confirmed by law enforcement authorities. According to OLAF, over 531 million illicit cigarettes were seized across Europe in 2022 – a dramatic increase from previous years, driven by the rise in counterfeit production.[160] In the UK, enforcement agencies report that counterfeit products make up a larger proportion of illicit tobacco consumption than ever before.[161]

Although growing volumes of counterfeit cigarettes are being seized, contraband and illicit white cigarettes continue to be smuggled into Europe. However, it is virtually impossible to estimate their volumes, as no comprehensive studies attempt to measure these flows. Interviews conducted by the GI-TOC with law enforcement officials in several European countries revealed that illegal production and the smuggling of contraband cigarettes – both popular brands and illicit whites – pose significant concerns in Europe. ◾

A German customs officer displays a seizure of illegally manufactured cigarettes. © *Henning Kaiser/Picture Alliance via Getty Images*

How is guerrilla production organized?

Illegal tobacco production across Europe is both highly decentralized and interconnected. Clandestine factories are typically set up on farms, in warehouses and commercial buildings in villages or industrial areas of cities. They are simultaneously remote and well connected, situated close to highways and major roads,[162] and often mobile, which allows operations to relocate quickly in case of detection by law enforcement. As a precaution, factories do not operate for lengthy periods in one spot; instead, they run for only a limited time before moving elsewhere to avoid detection. In some cases, factories may shut as soon as the procured raw materials run out.[163] Criminals are believed to constantly be on the lookout for rental facilities that could be used for illegal manufacturing, including farms and warehouses. Organized crime groups specifically target owners of such facilities who are in financial difficulty and are thus more prone to accept an offer without asking too many questions.[164]

The equipment used in these factories often consists of second-hand machines obtained on the grey market or replicas produced in China (the latter may be of lower quality and have a fairly short lifespan and thus need to be replaced frequently).[165] Cigarette production machines can be legally obtained from Alibaba, a Chinese online marketplace, with prices ranging from US$500 to US$5 000. Ports in the Netherlands and Germany serve as common entry points for such equipment, usually shipped from China.[166] Machine parts may also be obtained separately to avoid attracting scrutiny from law enforcement. Although the WHO Protocol to Eliminate Illicit Trade in Tobacco Products contains obligations to prohibit the sale of 'tobacco products and manufacturing equipment', the instrument is not uniformly implemented, and such sales remain legal.[167] Most of the cheaper, older equipment found in clandestine factories across Western Europe was manufactured during the 1980s and 1990s and sourced from legal tobacco factories in Eastern Europe and the Western Balkans that have closed down.[168] Organized crime groups, therefore, rely on skilled workers who can operate such machinery.
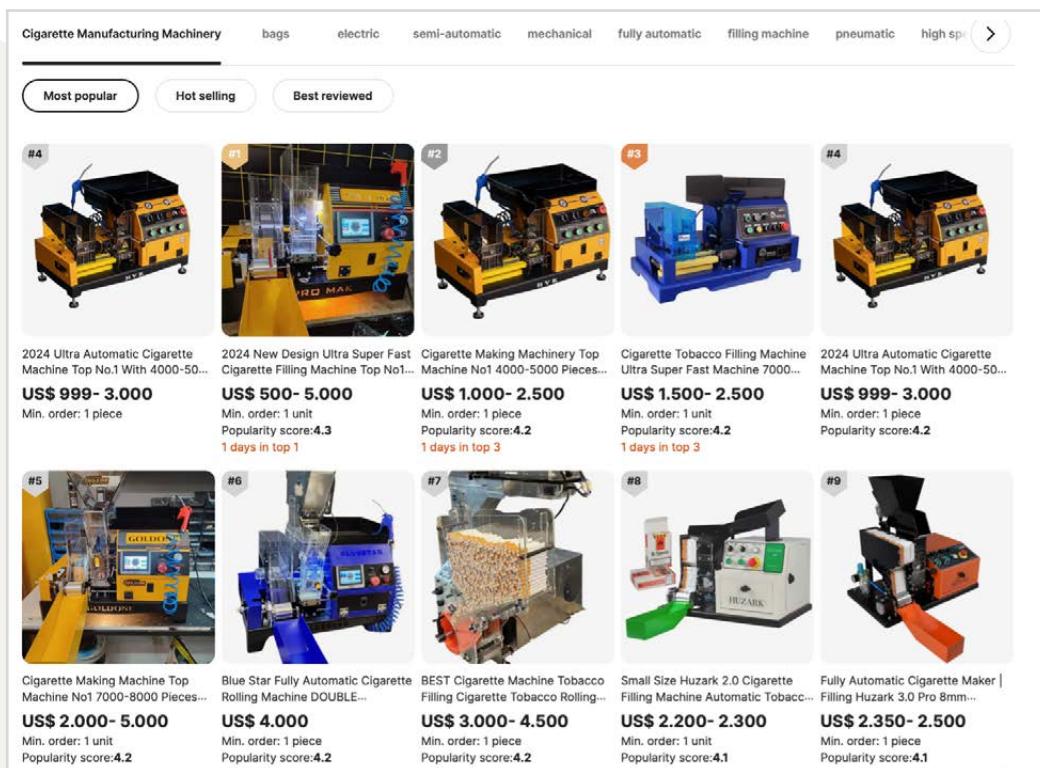
Cigarette manufacturing equipment advertised on Alibaba, a Chinese online marketplace. *Photo: Alibaba*

Raw materials and chemical processing agents for illicit cigarettes can often be obtained legally, and the same suppliers may be providing these materials to both legal and illegal tobacco factories.[169] In response, the UK, for example, has considered introducing stricter controls on tobacco imports.[170] However, sourcing tobacco from within the EU – from tobacco-growing countries such as Italy,[171] Bulgaria[172] or Hungary – could allow organized crime groups to bypass any such restrictions.

Setting up a guerrilla production facility requires €2.5–€3 million of initial investment.[173] Illegal factories may generate around €625 000 of profit a week,[174] which means actors can break even after just a month of operations, or even faster in some cases.[175] This makes guerrilla cigarette production a lucrative industry with low risks. When factories are dismantled by law enforcement, it is usually low-level workers who are apprehended, while high-level actors almost always evade responsibility. Penalties for workers are fairly lenient: they are typically charged with minor offences (e.g., tax evasion), and the penalties rarely result in incarceration.[176]

Criminal actors running illegal factories may seek to spread the risk by splitting production into several stages. In some cases, raw materials and components, such as raw or dried tobacco, cigarette papers and filters, are stored away from the production site.[177] In such cases, different steps of manufacturing are carried out independently in different facilities. For example, raw tobacco may be dried and cut in one facility, while cigarettes are assembled at another.[178] As a Polish law enforcement officer explained, 'the people who do the packing cannot see the people who produce cigarettes for packing'.[179] This keeps the production facility small and thus more likely to evade detection. At the same time, should a factory be dismantled, only one part of the supply chain would be affected. However, larger operations that include several stages of production, such as tobacco processing and cigarette assembly, are also common.[180]

Although no comprehensive data is available, anecdotal evidence obtained from law enforcement sources and media reports suggests that citizens of established supply countries in Eastern Europe (Ukraine, Moldova and Belarus), their neighbours (Bulgaria and Romania) and in the Western Balkans (Serbia) are often involved in operating clandestine tobacco factories in Western Europe.[181] Clandestine operations benefit from employing workers with a background in the formal industry. Previous research found that individuals displaced from legal cigarette factories in the EU (Bulgaria and Romania) and neighbouring countries (Ukraine and Belarus) have been employed as technical experts in illegal production facilities in Western Europe.[182] Moreover, organized criminal elements in transit countries such as Poland have been found to be closely engaged in illicit tobacco production in Western Europe.

Victims of labour exploitation or willing participants?

Guerrilla factories are usually fairly small facilities that operate non-stop, running several shifts, often 12 hours long. Workers live on the factory premises – in buildings with covered windows, to avoid attracting attention and prevent workers from identifying their surroundings.[183] To avoid detection, workers are often required to spend free time inside the facility[184] and they may be forbidden from leaving the premises. Upon dismantling an illegal factory in Spain, law enforcement officers discovered vitamin D tablets in the factory's 'living spaces' – allegedly used by the workers to compensate for the lack of sun exposure.[185] Workers who were allowed to leave the premises during their time off reported being brought to and from the factory in cars with covered

windows. Identification documents (IDs) and phones are usually taken away as a security precaution – calls from inside the factory can only be made using satellite phones in case of emergency.[186] An average-sized illegal factory typically engages between 15 and 25 workers.[187]

According to the UK government, 'appearing to not be free to move on their own, or always being accompanied', 'working unusually long hours', 'lacking access to their own documents, such as ID or passport', 'lacking a contract', and 'being forced to stay in accommodation provided by their employer, which may be overcrowded' are considered among the signs of labour exploitation.[188] However, despite the potentially exploitative conditions in illegal factories, there is no consensus on whether illegal factory workers are victims of labour exploitation, a form of human trafficking. On the contrary, law enforcement typically view illegal factory workers as willing accomplices who are incentivized to work in guerrilla production given the promise of quick profits. At the end of the operating cycle, which may be two to three months long, the workers are typically not prevented from leaving. Adding to this, salaries range between €2 000 and €4 000 and, in some cases, up to €10 000 for a month of work (although, the figures are generally at the lower end of the range).[189] Overall, workers are believed to engage in illegal tobacco production voluntarily, and as a result enforcement agencies often view them as opportunist criminals. ■

The dormitory of an illegal underground tobacco guerrilla factory in southern Spain. © *Jorge Guerrero/AFP via Getty Images*

Distribution networks

Illicit production is supported by a logistical network, with specialized operatives being responsible for different activities, such as installing equipment or organizing the transport of raw materials.[190] Unlike illicit drugs, the illicit tobacco trade is often perceived as a grey economy, meaning that actors may be less reluctant and have fewer moral reservations in engaging in it. Indeed, the new illicit tobacco business model relies on the participation of a range of legitimate professionals, from technicians to logistics professionals, and legal businesses functioning as a front for clandestine factories.[191] Different parts of the supply chain are undertaken by different specialized networks. Distribution relies on organized crime groups with well-established networks in the demand markets, while transport is organized by groups specialized in moving illicit cargo. Trucks with cargo declared as food products are often used for cigarette smuggling, with packs hidden in refrigerated trailers and the weight of the cargo corresponding to what has been listed for the container to avoid scrutiny from customs officials.[192] 'The smugglers are smart,' a law enforcement official said. 'They know which customs checkpoints and when to target.'[193]

Street vending in large European cities is largely controlled by ethnic networks. In Berlin, Vietnamese criminal groups have controlled the illicit trade since the 1990s.[194] Turf wars occasionally turned violent: in 2002, a high-level criminal who had controlled two-thirds of Berlin's illicit tobacco market was sentenced to life imprisonment for eight counts of murder.[195] Despite some successes by German law enforcement in targeting high-level actors, Vietnamese networks continue to dominate street-level sales, as well as some digital markets that offer home delivery. Various groups divide the control of different urban areas among themselves.[196]

In Paris, Afghan and Pakistani networks are involved in organizing street vending, as well as the transport of illicit cigarettes from Belgium.[197] Criminal networks prey on the vulnerability of migrants who lack documentation to access the legal labour market. Illicit cigarettes are often stored in apartments, and vendors bring small amounts with them to reduce the risks if they are apprehended by law enforcement.[198]

	Activity	Actors
Sourcing	▪ Cultivation or purchase of raw tobacco leaves	▪ Farmers, wage labourers, smugglers in source countries
	▪ Procurement of materials (papers, filters, glue)	▪ Legal and grey market suppliers
	▪ Storage of raw materials	▪ Warehouse/farm owners
Manufacturing	▪ Raw tobacco drying, cutting, processing	▪ Wage labourers, technicians
	▪ Counterfeit tax stamp and packaging assembly	▪ Forgers
	▪ Cigarette assembly and packing	▪ Factory workers
Distribution	▪ Transportation to regional hubs and retailers	▪ Smugglers, logistics companies, warehouse owners; facilitated by corrupt officials
	▪ Smuggling and transit (in/outside EU)	▪ Low-level transporters
	▪ Sale through street vendors, informal markets, digital platforms	▪ Street vendors, online markets administrators
Consumption	▪ Consumer purchase	▪ Consumers

FIGURE 7 The illicit tobacco supply chain.

Online markets for illicit tobacco

Street vendors and retail outlets are common points of sale for illicit cigarettes in Europe.[199] However, the growth of e-commerce and social media and the use of postal shipments and small-parcel delivery services have led to the proliferation of online marketplaces for illicit tobacco.[200] Illicit products, including conventional cigarettes and vapes, are sold through legitimate online marketplaces (such as eBay, Amazon and Gumtree),[201] purpose-built websites, social media platforms (such as Facebook, Instagram, Snapchat and TikTok) and cryptomarkets, and on the dark web (although the latter is not common).[202] Unlike online drug markets, illicit tobacco markets more commonly exist on the surface web,[203] largely because the illicit tobacco trade carries lighter legal penalties and is generally perceived as a less serious offence.

Encrypted messaging platforms such as Telegram, WhatsApp, Viber or Wickr have increasingly become sites of unregulated and potentially illegal sales of tobacco products.[204] A study of online

Bulk sales of cigarettes are advertised on a Dutch-language Telegram group. *Photo: Telegram*

illicit tobacco markets commissioned by BAT in the Provence-Alpes-Côte d'Azur region in the south-east of France found that illicit tobacco advertisements were prevalent across social media and messaging platforms, including Snapchat, Facebook Marketplace, Facebook and Telegram.[205] A keyword search on Telegram reveals multiple channels that offer potentially unauthorized or illicit tobacco products.

Online platforms initially merely supported the established illicit tobacco infrastructure, with social media used mainly to market products. The transaction itself happened face-to-face, and sellers would meet buyers in a public place or arrange for collection from the seller's home. Research conducted in 2018 referred to this trend as the 'digitalization of street vending'.[206] However, sales on online platforms have since become increasingly contactless, relying on postal and small-parcel delivery services.

This smuggling method, which has been described by Irish law enforcement as 'little and often', has been employed to ship illicit tobacco products both within the EU and from countries farther afield, such as China (in Ireland, most seizures at fast-parcel depots involved illicit cigarette shipments from China, Poland and Germany).[207] Although bulk shipments of tobacco using more traditional methods, including smuggling by sea, by rail, in vehicles or in air passenger luggage, remain widespread, the 'low-volume, high frequency' methods that take advantage of postal and delivery infrastructure are used as a lower-risk strategy for smaller shipments.[208] The low rate of customs inspection for low-value shipments means that the risks of interdiction are low. In 96 countries, shipments below the value of US$100 are allowed to bypass customs inspections, and a further 44 countries set the threshold at US$200.[209] Customs authorities often rely on targeted inspections and the use of scanners; however, the sheer volume of trade makes interception of illicit products difficult.

Research on online illicit tobacco markets in Europe is rare. However, studies conducted in other jurisdictions shed some light on illicit vendors' behaviour on online platforms. For example, research conducted by Rothmans, Benson & Hedges, a Canadian tobacco manufacturer and distributor, found that sellers often advertise their products using coded language or abbreviations, and may sell both legitimate and illicit products to complicate detection.[210] Similarly, a 2021 investigation into online illicit sales of Belarusian-origin cigarettes in Russia found that sellers often shipped cigarettes with and without excise tax stamps together.[211] Unlike other illicit commodities, such as drugs, the presence of a legal tobacco market significantly complicates efforts to identify illicit products. The accessibility of digital platforms has allowed new actors to enter the illicit tobacco market: previous research found that low-level opportunist sellers operate alongside more organized criminal networks with access to a steady supply.[212] Research in Ukraine has shown that some Telegram channels and groups are specialized in small-scale wholesale trade, offering discounted prices for orders above 500 packs.[213] Direct-to-consumer marketing and sales are also common and present a heightened risk, especially by targeting at-risk groups such as youth.[214]

Given the proliferation of online channels, whose administrators hide behind the veil of anonymity, law enforcement lacks the capacity to go after every seller. As a result, operations focus on stopping the interaction between the seller and buyers – for example, by removing the advertisements and shutting down online distribution channels. Authorities increasingly use artificial intelligence to amplify their efforts; however, the impact of these interventions on the illicit tobacco trade is limited,[215] and new channels are promptly created to replace the ones that have been disrupted. Ukrainian law enforcement officials cited the lack of cooperation by Telegram in disrupting illicit channels.[216]

A recent study analyzing online markets for illicit tobacco, nicotine and cannabis products across 20 Telegram channels with over 260 000 active subscribers found vaping products to be more common than conventional tobacco products.[217] The inconsistent regulation of e-vapour products across jurisdictions[218] creates an incentive for smuggling. The prevalence of illicit e-cigarettes varies across countries: in some markets, including Germany, close to 80% of all vaping products are estimated to be illicit.[219] The rising popularity of e-cigarettes and their increased use for consuming not only nicotine products but also cannabis, introduce further risks. For example, a recent study in the UK found that some illicitly obtained disposable vapes marketed as cannabis products contained synthetic cannabinoids – a common toxic adulterant that has been linked to significant health risks.[220] Although the use of e-cigarettes is an emerging trend and such products are ubiquitous on online markets, they represent a fraction of the illicit tobacco market in Europe.
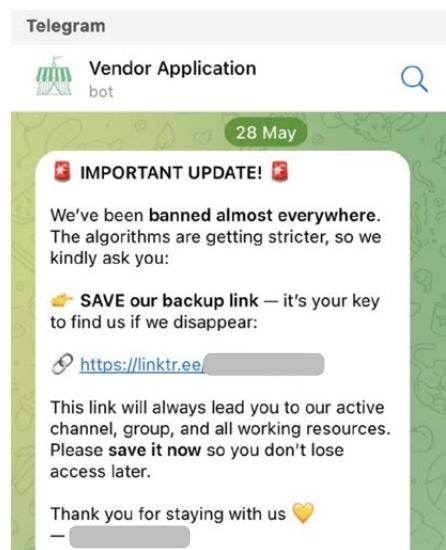
Telegram message from a UK-based vendor, May 2025. *Photo: Telegram*

CONCLUSION AND RECOMMENDATIONS

The illicit tobacco trade in Europe, once dominated by industrial-scale production in traditional supply countries, has diversified substantially in the last two decades. The nearshoring of production closer to the consumer follows the logic of other illicit enterprises seeking to reduce costs and risks while maximizing profits. However, in an environment where the established illicit suppliers find themselves further separated from demand markets – by both strict security at borders and increased political hostility – the reorientation of the supply chain became a necessity rather than a choice.

Nearshoring led to the emergence of a new business model for the illicit tobacco trade in Europe, dominated by guerrilla production and supported by digital markets and a small-parcels distribution system. Despite law enforcement having dismantled multiple clandestine factories across Europe in recent years, authorities face a hydra effect, with a new cluster of factories springing up after each raid. The profitability of this business model hinges on it being agile and adaptable to the evolving operating environment. This is evident in the frequent rotation of production, the sudden opening and closing of factories, and the use of counterfeit machinery with a short lifespan for cigarette manufacture.[221] Despite the growing number of dismantled illegal factories, the true scale of clandestine production remains difficult to gauge. As a law enforcement official interviewed by the GI-TOC put it, 'We only know what we can see.'[222]

As a result of external pressures, Europe's illicit tobacco economy has become more decentralized. Traditional suppliers adapted by changing production models and trafficking routes and diversifying smuggling methods. Combining low risk with small volumes and high frequency has become an effective strategy, reinforced by the use of small-parcel shipments and online marketplaces.

However, the traditional players have not ceded entirely to the newcomers in the industry. Given the significance of illicit tobacco revenues for regimes such as that in Belarus, especially in conditions of international isolation, it is unlikely that the state-sponsored illicit tobacco economy will disintegrate soon. The production of illicit cigarettes in large factories in traditional supply countries is likely to continue, but smuggling operations have become more dependent on the ability to cooperate with other illicit actors. These looser and more adaptable networks stand to benefit most from the changing dynamics of the illicit tobacco trade.

A ceasefire between Russia and Ukraine, which could result in some sanctions against Russia and Belarus being lifted, could reverse this dynamic by creating a more favourable operating environment for traditional suppliers. The reopening of borders and the resumption of regular movement of goods and people may increase smuggling risks and reactivate previously used trafficking routes. The decentralized nature of the illicit tobacco trade may continue to benefit the industry in the future. If borders reopen, drones and balloons may serve as decoys, while the bulk of smuggling may once again move by trucks and trains. Traditional supply countries are also likely to exploit postal and delivery services if cross-border parcel flows resume after sanctions are lifted.

As the illicit market moves away from a clear division of roles between supply and demand countries, digital tools multiply the opportunities for smugglers, and the demand for new products grows, the illicit market is becoming a more complex environment for law enforcement.

The following recommendations stem from this context:

- **Address the diversification of the illicit tobacco economy.** States and law enforcement agencies need to recognize the multipolar nature of the illicit tobacco trade and the diversity of trafficking routes and methods used by smugglers. Industry-funded studies tend to place an outsized emphasis on counterfeiting, but contraband flows are poorly understood. Independent reporting that uses transparent methodologies and sheds light on the illicit supply chains should be encouraged.

- **Expose exploitation behind the illicit trade.** More attention and resources should be directed to the people who find themselves in the grey zones of the illicit tobacco trade. Factory workers, technicians and warehouse owners are often drawn in – sometimes willingly, but often under pressure because of financial vulnerability or coercion. Understanding how these individuals are recruited and exploited, and what incentives or threats push them into complicity, is essential for designing more informed interventions and preventing further exploitation.

- **Bring the private sector on board.** Private sector actors, who may not realize that they are part of the problem, need to contribute to the solution. Companies, including the producers of raw materials and equipment used for cigarette manufacture, should be incentivized to report suspicious orders and unusual shipping patterns and routes to law enforcement authorities. A more structured, transparent cooperation with legal tobacco manufacturers, who possess extensive industry knowledge and understanding of how illicit producers mimic packaging, forge excise stamps and tamper with supply chains, would allow enforcement agencies to stay ahead of increasingly sophisticated tactics used by illegal producers.

- **Trace the legal front-end of the illicit supply chain.** Upstream activities in the illicit tobacco trade remain embedded in the legal economy. To disrupt illicit production, states should consider tightening the regulation of the sale and movement of the raw materials used for illicit tobacco production, such as raw tobacco, acetate tow, tax stamp foils and manufacturing equipment. The regulatory regime should include better provisions for licensing, reporting requirements and supply chain traceability. The EU's legislation that governs the licensing process for drug precursors offers a useful example.[223]

- **Understand what consumers will crave tomorrow.** As the illicit tobacco economy is driven by demand, understanding consumer preferences is crucial to identify emergent trends. Consumer surveys, online market monitoring and the engagement of community-level informants to monitor retail dynamics are all useful tools to enhance the understanding of the demand for illicit tobacco products.

- **Make digital platforms accountable.** Given the increasing shift of illicit tobacco sales online, communication platforms and social media apps need to be part of the efforts to disrupt the illicit tobacco trade. Digital platforms should be involved in multi-stakeholder partnerships aimed at developing and implementing guidelines and tools to identify and remove content linked to illicit tobacco.

- **Scale up tobacco control measures.** States should fully implement existing instruments, such as the WHO's Framework Convention on Tobacco Control,[224] its Protocol to Eliminate Illicit Trade in Tobacco Products,[225] and the EU Tobacco Tax Directive.[226] These frameworks call for measures such as track-and-trace systems, licensing and registration of tobacco products and manufacturing equipment, and the adoption of plain tobacco packaging and health warnings to reduce the attractiveness of tobacco products. These measures, despite having attracted criticism from the tobacco industry,[227] are widely recognized as effective in reducing the harms of both legal and illegal tobacco consumption.

- **Close tax gaps.** Fundamentally, synchronizing tax regimes is key to curbing the illicit tobacco trade.[228] States should work towards agreeing on the minimum rates of excise duties, price floors and tax levels for all nicotine products across jurisdictions to remove primary incentives for illicit trade.

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