

Balkan Smugg: Report Shows There's No Room for Complacency over Illicit Trade in the Region



A new [report](#) into the illegal trade of cigarettes and other tobacco products in seven countries along the Balkan smuggling route has quantified the size of the problem and shone a light on consumer attitudes. The study, with the catchy name of Balkan Smugg, was produced by the [Institute of Economics, Zagreb, Croatia](#). It used a methodology that had been untried in the region: interviewing a large number of smokers themselves about their attitudes to illicit trade. Three thousand respondents in each of seven countries—Bosnia and Herzegovina, Croatia, Kosovo, Montenegro, North Macedonia, Serbia and Slovenia—spoke to researchers between 2017 and 2019, providing a significant evidence base of over 20,000 people (you can [click on individual country studies in English here](#), scroll to bottom).

Researchers say that this has given them unparalleled insight into smokers' attitudes and practices of buying cigarettes on the grey market and citizens' opinion regarding the illegal trade of cigarettes and other tobacco products.

Some key findings...

- On average across the seven countries, 11 percent of smokers buy tobacco products on the grey market.
- The figure varies dramatically from country to country - from the lowest, in Slovenia (3.3 percent), to the highest, in Montenegro (27.9 percent).
- For the five remaining countries, the figures are: North Macedonia, 3.8 percent; Kosovo, 6.3; Serbia, 6.5; Croatia, 7.6, Bosnia and Herzegovina, 20.3.
- More than half a million - 581,000 - people across the region buy illicit tobacco on a regular or daily basis.
- Two-thirds of consumers who buy illicit tobacco products say they would be motivated to stop buying on the grey market if their living standard improved.

- Although more than half of the citizens are aware that buying on the grey market is illegal, greater punishments would motivate only 5 percent of smokers to stop buying on the grey market.
- For eight out of 10 smokers buying on the grey market, better price is the main reason for buying tobacco products illegally.
- The price of tobacco products in all seven countries are far lower than the EU average. However there are significant differences from country to country.
- Slovenia, the most expensive, is at 68 percent of the EU average, while North Macedonia, the lowest, is at about 25 percent. This is due to the different taxes and excise duties across the region.
- The price gap between legal and illicit is huge: Cigarettes made from illegally bought cut tobacco are 10 times cheaper than the same quantity of industrially manufactured cigarettes sold in regular stores in Croatia.
- In all Western Balkan countries, income derived by tobacco smuggling is estimated at over EUR 200 million annually.
- Approximately EUR 7.5 billion of taxes is evaded annually in the region, or 4.5 percent of regional GDP.
- More than 7,500 jobs annually could be created in the Croatian economy by eliminating the grey tobacco market.

Lead researcher Jelena Budak said: "Our methodology is unique, as we spoke to smokers who buy on the grey market and asked them specific questions. We have managed to assess the buying habits of these smokers. In North Macedonia, Croatia and Serbia, the main product is cut tobacco. In other countries, we are talking about industrial cigarettes. In most of the countries people buy easily, and availability of illicit tobacco products is rated as very, very good."

"Illicit tobacco will become more and more relevant in this region. It is a huge problem, and people were not aware of that."

"Only through coordinated cooperation between the state authorities of all countries located on the so-called Balkan route, including increased controls and considerably higher penalties, can the gray market be reduced. Such actions should involve all interested sectors - internal affairs, customs administration, tax administration, the judiciary, border police, as well as the legal tobacco industry. Moreover, efforts should be made to reduce the consumption of illegal cigarettes and tobacco by raising awareness among users of illegal tobacco products - informing them of health risks and damages to the economy," the study concludes.

On Sept. 26, 2019, at an event hosted in Croatia, Ms. Budak presented the results of this two-year research project from the Institute of Economics, Zagreb. The dynamic presentation of the results invited an exchange of views in the panel discussion with participation of Mario Demirović, deputy director of the Customs Administration, Davor Majetić, director-general of the Croatian Employers' Association and Maruška Vizek, director of the Institute of Economics, Zagreb, and associate on the project.

To read a local media write-up in Croatian, please [click here](#).

This study is part of the research project "Illegal Trade of Tobacco Products: Smuggling as Experienced Along the Balkan Route - BalkanSmugg," funded by [PMI IMPACT](#), a global grant initiative by Philip Morris International (PMI) to support projects dedicated to fighting illegal trade and related crimes. In the performance of research, the authors maintained full independence from PMI.

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