

CHECK AGAINST DELIVERY

A message from Commissioner Günther H. Oettinger

Dear President Dassis

Dear Members of the European Parliament and the European Economic and Social Committee

Dear Colleagues from the Member States and neighbouring countries

Other distinguished guests

Ladies and Gentlemen

It is my great pleasure to introduce this stakeholder conference. This Commission attaches particular attention to deepening dialogue with stakeholders. I regretfully am unable to be there with you in person as preparations of the new financial framework for the EU require my presence elsewhere. But I wish to assure you that I attach particular importance to progress in our fight against the illicit tobacco trade. I am thus very grateful to the European Economic and Social Committee for agreeing to co-host this important event.

Let me say how heartened I am to have such a wide range of stakeholders here today. The illicit tobacco trade affects us all. I am convinced that we can only be successful in curtailing illicit tobacco by leveraging our respective strengths.

So why have we organised this conference now?

For one thing, we are witnessing a paradigm shift in our regulatory framework: within the EU, we have set up a new system for tracking and tracing of tobacco products. At global level, we will soon see the entry into force of the first tailor-made multilateral treaty to specifically tackle the illicit tobacco trade. I am referring here of course to the FCTC Protocol. These two initiatives combined will give us new tools and it is in our shared interest that we use them to our best advantage.

Secondly, this is an opportune moment to update our cigarette strategy which is already five years old. Our initial Action Plan to fight the illicit tobacco trade has been implemented and we have begun work on a new Action Plan, to be adopted later this year, to tackle new challenges.

In this respect, the Commission wants to hear from you. As our stakeholders, tell us *your* views. In preparing the new Action Plan, we need your feedback to be more effective and more targeted.

Today I want to touch upon the challenges we are facing in the illicit tobacco trade. I will then outline what the Commission is doing to respond to these challenges.

The challenge from the illicit tobacco trade to our society

Let me begin by briefly recalling why it is that we are so concerned about the illicit tobacco trade. As Commissioner for the EU Budget, I am most keenly aware of the enormous burden on governments, taxpayers and legitimate businesses caused by tobacco smuggling. The loss for EU and national budgets is estimated at EUR 10 billion per year – that figure speaks for itself as to the magnitude of the problem.

I know that the availability and consumption of illicit tobacco products is also a major concern to the health community. Both the EU's Tobacco Products Directive and the FCTC Protocol, developed under the auspices of the WHO, are testimony to the commitment of our health colleagues to tackle this phenomenon decisively. This is a welcome complement to the traditional work of customs, police and border forces in preventing, intercepting and investigating the supply of illegal products.

But the repercussions of the illicit tobacco trade are not limited any more to health and fiscal issues. The illicit tobacco trade is a major source of revenue for organised crime groups and sometimes even terrorist organisations.

When discussing illicit markets, it is important to think about both supply and demand. Two years ago, a Eurobarometer poll surveyed consumers' attitudes to illicit tobacco products. The findings show there is still low awareness among consumers on the link between cigarette smuggling and organised crime. I think raising awareness about this issue could be one of our responses to the challenge in front of us.

Recent years have seen a significant increase in seizures of non-branded cigarettes, or so called 'cheap whites'. These are cigarettes which are typically legally produced in one jurisdiction but traded illegally in another.

The European Parliament has rightly highlighted their concerns about the high proportion of cheap whites on the market and has called on us to tackle this problem. We echo these concerns.

As a key theme of this conference, I hope that there will be productive discussions on how to confront cheap whites.

Where are we today in fighting illicit tobacco?

Let me now turn to our joint efforts to curb the illicit tobacco trade.

It is clear that robust enforcement by customs, police and border forces will always play a central role. That's why the

European Anti-Fraud Office, OLAF, has a special mandate to fighting tobacco smuggling.

The OLAF acting Director-General will share with you shortly his perception of the illicit tobacco trade from an enforcement angle. Let me acknowledge that OLAF, working side by side with national customs services, has constantly stepped up its efforts: over the last three years 1.5 billion cigarettes were seized with OLAF support alone. The hands-on experience gathered by OLAF throughout the years is also essential in helping the Commission developing its policy to fight the illicit tobacco trade.

So enforcement aside, what have we done over the past years to improve our regulatory framework?

In 2011 the Commission presented an Action Plan on smuggling along the EU Eastern border. Two years later we published a comprehensive EU strategy to fight the illicit tobacco trade. This strategy was built on a range of mutually reinforcing measures designed to intensify our joint efforts.

An accompanying Action Plan facilitated implementation of that strategy, which foresaw the creation of an EU track and trace system and the adoption of the FCTC Protocol, to name just a few.

Last May the Commission published a report evaluating the progress we have made in this regard. Allow me to summarise the conclusions of our report.

First of all, while a large number of initiatives have been implemented, the level of smuggling remains unacceptably high. We still have a long road ahead of us to make decisive, sustainable progress in this area.

Secondly, the main tenets of our 2013 strategy are still pertinent and relevant. Most notably, the strategy had already accurately identified the rise of cheap whites as a major emerging threat.

Third, the report concluded that we need to reflect on whether there are additional tools we should bring to this task. That reflection of course brings us to today's stakeholder conference. We want to draw on your expertise and experiences to reinforce our approach. Of course we have also closely studied the Conclusions adopted by Council last December, which are an important contribution to our debate.

Conclusion: our current priorities

I wish to conclude by briefly setting out our current priorities.

To begin with, we are strengthening our institutions active in this area. Enforcement against organised crime groups will soon be reinforced by the European Public Prosecutor's Office. The 'EPPO' will be tasked with fighting criminal offences against the EU budget. In addition, the Commission will put forward a proposal this spring to adapt and strengthen OLAF's legal framework and we will naturally continue to rely on an effective OLAF investigating and cooperating with national authorities, Europol and others. There are few areas in which it is as essential that all actors collaborate effectively within their respective competencies right from the off.

[I also wish to mention that the Commission is reflecting on ways to strengthen our support to Member States' customs services. A Member State protecting our external border is doing that in the interest of all Member States.]

It is also clear that the fight against cross-border smuggling requires cross-border cooperation. Going forward, the FCTC Protocol will become a central pillar of international engagement in this sector. The EU has taken a leading role in the negotiation of the Protocol. We intend to take an active part in discussions on its implementation. Our objective, our benchmark, is to make a tangible impact on smuggling. Only then can the FCTC Protocol be considered a success.

On behalf of the Commission, I wish to invite all countries to join this unique international agreement. I encourage not only Member States but also our neighbouring countries present here today to ratify the Protocol as soon as possible. We want the entry into force of the Protocol and the first Meeting of the Parties to happen this year. The Commission also stands ready to discuss with you how best to implement the Protocol.

In addition we will also intensify our bilateral engagement with neighbouring countries. Low tobacco prices in parts of our neighbourhood are obviously a key driver for smuggling activity into the EU. We encourage our neighbours to reflect whether it is not in their own health and fiscal interest to adjust these levels closer to those we have in the EU. I welcome and wish to acknowledge that there has been some progress recently, but overall more needs to be done.

Let me conclude by saying that the Commission is very much looking forward to today's exchange of views with our various stakeholders. We value your opinion and I wish you a fruitful dialogue.

Thank you.

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