



**UNITED STATES COMMISSION ON SECURITY AND
COOPERATION IN EUROPE
(U.S. HELSINKI COMMISSION)**

**Hearing on
'A Hazy Crisis: Illicit Cigarette Smuggling in the OSCE Region'
Wednesday, July 19, 2017 – 9:30 a.m.
Dirksen Senate Office Building – Room 106**

Opening Statement of Senator Roger Wicker, Chairman

The hearing will come to order.

Welcome and good morning everyone. The Helsinki Commission is mandated to monitor the compliance of participating States with the consensus-based commitments of the Organization for Security and Cooperation in Europe, or OSCE. Today's hearing of the Commission focuses on the multidimensional issue of illicit cigarette smuggling in the OSCE region.

Illicit cigarette smuggling is a significant transnational threat. In short, ongoing illicit trade helps fund terrorist activities, foster corruption, and undermine the rule of law. European Commission and KPMG studies estimate that around \$11.64 billion is lost every year to this criminal activity in the European Union alone, where counterfeit cigarettes are particularly prevalent and account for nearly 30 percent of the articles detained by EU customs. This issue involves two of the three dimensions of the Helsinki Final Act: the first being hard security and the second being economic issues.

Illicit cigarette smuggling's link to hard security is evident in a recent report issued by the Department of State, in conjunction with the Departments of Treasury, Homeland Security, Health and Human Services, and Justice. The report states that "illicit tobacco provides a significant revenue stream to illicit actors" and "fuels transnational crime, corruption, and terrorism." For these reasons, the report declared that the global illicit trade in tobacco poses a "threat to national security."

Building upon former commitments, the OSCE established a Charter on Preventing and Combating Terrorism in the aftermath of the Sept. 11, 2001, attacks in New York and Washington. That Charter targeted four strategic areas for specific action: policing, border control, trafficking, and money laundering. I hope today's

witnesses will consider how measures taken pursuant to that Charter are being applied to the illicit trade in tobacco and tobacco products.

With regard to economic issues, illicit trafficking in cigarettes is a major source of corruption. The international criminal organizations that engage in tobacco trafficking generate profits that are then available to corrupt public officials and subvert the rule of law. The Department of State estimates that the worldwide tax loss from illicit tobacco smuggling is between \$40 billion and \$50 billion dollars annually. This is money that is lost to taxpayers, further weakening state institutions while enriching and empowering criminal elements that are themselves a threat to those institutions.

These are serious challenges in many emerging market economies within the OSCE, and I hope we will hear more today from our witnesses about the scope of the threat and the measures that can be taken to combat it.

Underlying all of these problems is the fact that there is enormous money to be made in illicit tobacco trafficking. An Organization for Economic Cooperation and Development, or OECD, report issued last year concluded that “cigarettes present high profit margins and are among the most commonly traded products on the black market due to the relative ease of production and movement, along with low detection rates and penalties.” The OECD cited many reasons for the growth in the illicit trade of tobacco. Today, we will engage in an in-depth examination of those reasons and identify potential responses.

To help us do that, we have with us three very distinguished witnesses.

Dr. Louise Shelley is a professor and the director of the Terrorism, Transnational Crime and Corruption School of Public Policy at George Mason University. She is a leading expert on the relationships among terrorism, organized crime, and corruption, and she also specializes in illicit financial flows and money laundering. Dr. Shelley served on the Global Agenda Council on Illicit Trade of the World Economic Forum and was the first co-chair of its Council on Organized Crime. Dr. Shelley has frequently testified on Capitol Hill regarding issues that impact national security.

Professor David Sweanor is an adjunct professor of law at the University of Ottawa. Professor Sweanor has pioneered efforts to reduce cigarette smoking in Canada and around the world. As part of those efforts, he has worked with groups such as the World Health Organization, the World Bank, and the Pan American

Health Organization – the latter of which honored him with the “Public Health Hero Lifetime Achievement Award.” Professor Sweanor has previously testified before the Canadian Parliament and the U.S. House and Senate.

Mr. Marc Firestone is the senior vice president and general counsel for Philip Morris International. In that capacity, he helps guide the company’s global response to the illicit trade in tobacco.

I hope to accomplish three things at today’s hearing:

First, I hope to draw attention to the problem of illicit tobacco trafficking; how it helps fund terrorist activities, foster corruption, and undermine the rule of law; and why the United States should provide leadership in the fight against this illicit trade.

Second, I hope to learn more about best practices in both the public and private sectors that can minimize illicit tobacco trafficking and deny the financial proceeds of such trafficking to terrorist and criminal groups.

Third, I hope to increase an understanding of how illicit tobacco undermines public health policy.

I thank the distinguished members of today’s expert panel for joining us today, and I look forward to our discussion.