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# Boom in border smuggling

*France's introduction of a massive hike in tobacco prices has led to a boom in one of Switzerland's oldest occupations: smuggling.*

**STEPHAN BRETSCHER\***

**ON 5 DECEMBER 2002** French Minister of Health Jean-François Mattei declared war on tobacco. "Tobacco is Public Enemy Number One," he thundered in parliament, declaring his aim "to wage unconditional war on smoking" and hailing a massive increase in tobacco taxes as his best weapon in this battle. Last year, true to his word, he duly raised taxes on tobacco by 53 percent in three separate stages. Since then the 34 000 tobacconists in this erstwhile smokers' paradise have been loudly complaining.

Tobacconists in border regions are particularly worried about their survival. Now they are obliged to charge customers EUR 5.00 for a box of brand cigarettes such as Marlboro or Camel: at least EUR 1.40 more than in neighbouring countries. "Naturally our customers now buy their cigarettes in Switzerland," complained Philippe Baechler, President of the Belfort Regional Tobacconists' Association, in an article in "Franche-Comté", a local Alsace newspaper. "My revenue has dropped by 20 percent across the board."

According to the Alsatian Association of Tobacconists, fourteen of the 465 "tabacs" in lower Alsace have already gone bankrupt and another 30 are teetering on the edge. Last July, more than 20,000 tobacconists from all over France gathered in Paris to demonstrate, accompanied by gun salutes, exploding smoke bombs, and banners exclaiming "For our survival", or "We'll remember at the ballot box". Tobacco lobbyists denounced the tax as pointless, since they claimed smokers would not give up the weed just because it cost more; the trade would merely move to neighbouring countries, and smuggling would experience a revival.

\*Stephan Bretscher is a freelance journalist based in Zurich.



Due to enormous price differences, many French smokers buy their cigarettes in Switzerland.

## Switzerland profits

They were not completely wrong. At the Europoint petrol station in Breisach, Germany, near the former border crossing with France, there are regular queues of cars with French number plates. "Cigarettes account for 70 percent of our revenue," says the manager with pride. "Petrol has become a sideline." Swiss sales outlets near the border are also benefiting. "Thanks to French customers buying tobacco goods, our revenue has increased by at least 20 percent, says a kiosk sales assistant at Basle's central railway station. The same figure is quoted by a sales assistant at a petrol station shop on Basle's Elsässerstrasse, who adds "Instead of one box of cigarettes, French customers now buy three or four at once".

The increase in border retailers' revenue points to a growing propensity for smuggling among cross-border commuters and other travellers. Yet Manfred Bruni, deputy section head of the Basle Customs Directorate's Investigation Unit, claims "We see no indication of this." But then, he can hardly say otherwise. Some EU politicians still regard Switzerland as a centre of cigarette

smuggling, even if the bone of contention is the associated money laundering business rather than the illegal import of cigarettes as such. Switzerland would prefer to be seen as a role model in the fight against smuggling. But it still has some way to go. Up until 1994, Switzerland implemented a special export provision under the terms of which the government was able to earn substantial revenues. The "Export 2" or "Export over border regions" rule landed an economic windfall into the lap of border regions such as Puschlav in the Grisons, triggering a gold-rush type boom.

## The golden Puschlav years

In the 1960s, when people travelled over the Bernina Pass from the Engadine to the Puschlav, their nostrils would gradually be assailed with the strong aroma of coffee. At that time there were thirteen coffee roasteries in the valley, and eight in Brusio alone. Every day trucks would arrive packed to the gills with raw coffee beans from all over the world, mostly imported through the customs post in Basle. Six days a week the roasting machines worked at full throttle. The



roasted coffee was bought by Italian dealers from the neighbouring Valtellina, who transported the goods to the customs posts in Viano or Campacologno. By declaring them as "Exports over border regions", the dealers were not entitled to a sales tax refund (as is the case with normal exports). By the same token, however, the Swiss customs authorities did not need to concern themselves about the manner in which the goods were exported or their ultimate destination. The goods merely had to leave the country within 24 hours. This is where Italian smugglers came in. The sacks were carried along steep alpine trails to the green border with Valtellina, then on to Roncaiola or Baruffini, thus helping Valtellina's coffee dealers to avoid the hefty customs duty levied by Italy on coffee. The coffee dealers also operated the roasteries, raking in impressive profits by mixing their own expensive coffee with the less expensive Puschlav powder.

**A village of smugglers**

"In those days, three quarters of the 300 inhabitants of Campocologno were involved in border trading, collaborating mainly with Italian smugglers," says Domenico Rossi (name changed). Now 56 years old, Rossi smiles wryly as he reminisces on these times: "The village was dominated by smugglers with their fine cars and thick wads of money. As a young boy I admired them, particularly the couriers – easy-going mountain men who tirelessly carried sacks weighing up to 70 kilograms along alpine trails."

As a 16-year-old he was proud to obtain work as a courier during the summer holidays. And there was plenty of work to be had: in 1966, a record year, 8107 tonnes of

coffee was spirited over the pass. Domenico always worked for the same smugglers, earning 10000 Lire (around CHF 70 at that time) for each sack he transported to the border. With 35 kilograms on his back, he would trudge for forty minutes along a steep, narrow alpine track and, at an agreed location (usually under a tree right next to the border) deposit the sacks to be picked up by an Italian courier. The Italian courier's work was more dangerous than Rossi's, because as soon as the sack crossed the Italian border, it became contraband.

Even so, there was a limit to the dangers facing Italian smugglers. The "capi", i.e. the heads of smuggling bands, paid border guards sufficiently large bribes to make sure they usually turned a blind eye to the conspicuous procession of couriers bearing goods into the Valtellina. And to make sure the business did not attract Rome's attention, the "capi" and border guards agreed on how many sacks should be "captured" per month. Coffee smugglers who were caught could expect at most a fine. A worse fate awaited cigarette smugglers: they were arrested and thrown into prison.


**Some families got rich**

"As a courier, I earned more than my father," says Domenico Rossi. His father worked as a truck driver and brought home a monthly wage of CHF 600. In keeping with custom, Rossi handed his earnings over to his parents. Even as a child, he and his three siblings worked the field on the small plot of land his mother cultivated as a second source of income. It was reward enough for him when his father once took him to Livigno in Italy to buy cheese and said, "You

know, we're buying this cheese with your money."

The cash from smuggling poured into the coffers of Puschlav households for almost twenty years. Some families in the valley became rich on the strength of the takings. In the mid-1970s the trade died down when Italy reduced import duties on coffee and cigarette. Nowadays there is only one coffee roastery in the Puschlav, and peace has returned to the green border with Italy.

**No more special regulations**

The idyllic smuggling era is now a thing of the past. In 1994 Switzerland abolished the provision governing "Export over border regions". Nowadays Switzerland can afford fewer and fewer such special regulations: the pressure from the European Union is too great. When smuggling becomes an interesting proposition, as is the case at present on the French border in Basle, Switzerland no longer profits. Instead, it marks its presence. Indicative of this approach is the response, in stilted bureaucratic language, given by the Basle Customs Directorate when asked how the customs service was tackling the rise in smuggling: "Since 1994, in a move to combat cigarette smuggling across borders with the EU, the Federal Customs Administration reports every shipment of cigarettes which leaves Switzerland in transit. As well as being reported electronically, each shipment is reported to the border post as well as the responsible customs office and the EU Anti-Fraud Commission." The lucrative border trade has disappeared. 

Translated from German.

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