



Welcome & introduction

Chair, Ranking Member, and distinguished members of the committee – thank you for the opportunity to submit written testimony on this critical issue.

My name is Alysa Erichs, former Acting Executive Associate Director for Homeland Security Investigations (HSI) and current spokesperson for United to Safeguard America from Illegal Trade, or USA-IT.

What is USA-IT doing to fight illegal trade?

Launched in 2021, USA-IT is a public education initiative to combat black-market trade. The initiative led by Philip Morris International’s U.S. Businesses (PMI U.S.) is supported by a national coalition of local, state and federal law enforcement agencies, academics, and leading business organizations.

Our mission is to be a leading coalition of public and private sector partners dedicated to educating the public about the harms of all aspects of illegal trade, developing leading anti-illicit trade best practices, training, tools, and tactics, while advocating for effective policy and legislation focused on ending the scourge of illegal trade. We are commodity agnostic and believe that tackling illegal trade requires cooperation and public-private partnerships, making full use of existing expertise, information sharing, innovative solutions, and evolving technologies.

The lucrative trade of illicit tobacco & nicotine products

The global phenomenon of illegal trade is a growing national security and economic threat. It harms all of us – from consumers and multinational brands to law enforcement and governments across the globe. This \$2.2 trillion-per-year-industry¹ encompasses a wide range of crimes such as counterfeiting, organized retail crime, cargo theft, drug and weapons smuggling, human trafficking and cybercrime, and it exploits the very institutions that allow our nation to maintain its status as a dominant economic power.

Unregulated nicotine and tobacco products rank among the most profitable commodities for transnational criminal organizations (TCOs), which reap enormous gains from illegal trade. Globally, an estimated 10% of conventional tobacco products consumed are illicit², stripping governments up to \$50 billion every year.³ Consumption of illicit alternative tobacco products – such as vapes and nicotine pouches – are even higher. According to Euromonitor International, over 75% of the vape market is driven by the illicit marketplace⁴, and while reporting on illicit nicotine pouches is relatively novel, a surge of seizures along interstate and international boundaries suggests that it too is growing at an exponential pace.⁵

¹ Global Financial Integrity, “Transnational Crime,” Global Financial Integrity, <https://gfintegrity.org/issue/transnational-crime/>

² World Health Organization, Tobacco (fact sheet, June 25, 2025), <https://www.who.int/news-room/fact-sheets/detail/tobacco>

³ U.S. Department of State, The Global Illicit Trade in Tobacco: A Threat to National Security, <https://2009-2017.state.gov/documents/organization/250513.pdf>

⁴ Euromonitor International, “Over 75% of Global E-Vapour Volume Is Driven by Illicit Market,” press release, August 28, 2025, Euromonitor.com, <https://www.euromonitor.com/newsroom/press-releases/august-2025/over-75-of-global-e-vapour-volume-is-driven-by-illicit-market>

⁵ Michael D. LaFaive, *Mackinac Center Comment to FDA Regarding Modified Risk Tobacco Products*, Mackinac Center for Public Policy, January 8, 2026, <https://www.mackinac.org/34023>

Understanding the global impact of this lucrative trade allows us to identify both the root causes that sustain it and the economic forces that drive demand. A 2025 report by the Transnational Alliance to Combat Illicit Trade (TRACIT) shows that insufficient public awareness coupled with poor cross-sector coordination directly correlates with an “underprioritization” of anti-illegal trade operations.⁶ Compounding the problem, law enforcement agencies often lack the resources or specialized expertise needed to identify and seize these products.

The rise of social media and e-commerce has further accelerated this problem, enabling TCOs to manufacture and distribute unregulated nicotine products at scale – most notably from China. These products are mass-produced often with toxic chemicals and shipped through complex logistics networks designed to evade customs enforcement. Leveraging popular social media platforms like TikTok and WhatsApp, bad actors market directly to youth using sleek designs and youth-appealing flavors.⁷ The anonymity and reach of digital commerce has made it increasingly difficult for law enforcement to keep pace, allowing illicit nicotine products to bypass age-verification and product safety standards.

Jurisdictions most vulnerable to exploitation share a common denominator: tax and regulatory policies that choke consumer choice and discourage legitimate, industry-led innovation. We have seen this already in the cigarette market. After implementing some of the steepest nicotine tax increases in the world, Australia saw illicit tobacco swell into the second-largest black market – surpassed only by illegal drugs.⁸ In just one year, the country lost over \$4 billion in government revenue, while the economic impacts of associated organized crime jumped \$13 billion.⁹ France and the Netherlands have adopted similar restrictive tax policies on cigarettes, leading to similar results. A 2025 KPMG report found that 37.6% of cigarettes consumed in France in 2024 were illicit, while the Netherlands experienced the fastest year-over-year growth in illicit consumption.¹⁰

New York remains a haven for black-market criminals

Unfortunately – but predictably – New York’s exceptionally high tobacco excise tax structure has produced many of the same security and economic woes seen abroad. According to the Tax Foundation, New York ranks second only behind California for its rate of illicit cigarette consumption, with more than half of cigarettes consumed being untaxed.¹¹ Between 2007-2023, the state lost \$22 billion from this illicit economy, nearly \$8 billion more than the second biggest economic loser in the country, California.¹²

The state’s excise model has fueled countless illicit tobacco busts over the last decade. In 2019, a three-year multiagency operation disrupted a \$30 million cigarette smuggling operation that moved cigarettes from Virginia into New York City.¹³ Fast forward to 2023, when local and state enforcement authorities

⁶ Transnational Alliance to Combat Illicit Trade, *TRACIT’s 2025 Illicit Trade Index* (New York: Transnational Alliance to Combat Illicit Trade, March 2025), https://www.tracit.org/uploads/1/0/2/2/102238034/tracit_illicittradeindexfindings_mar2025.pdf

⁷ Emma Rumney, Kaylee Kang, and Tom Polansek, “How Middlemen Funnel Illegal Chinese Vapes into the United States,” Reuters, June 23, 2025, <https://www.reuters.com/business/healthcare-pharmaceuticals/how-middlemen-funnel-illegal-chinese-vapes-into-united-states-2025-06-23/>

⁸ Olivia Caisley, Black-market cigarettes cost Australia \$4bn in one year, ABC News (Australia), November 6, 2025,

<https://www.abc.net.au/news/2025-11-06/black-market-cigarettes-cost-australia-4bn-in-one-year/105981786>

⁹ *ibid*

¹⁰ Colin Stevens, “Illicit Cigarette Trade Surges in France and the Netherlands, Raising Alarm over Policy Failures,” EU Reporter, June 17, 2025, <https://www.eureporter.co/health/2025/06/17/illicit-cigarette-trade-surges-in-france-and-the-netherlands-raising-alarm-over-policy-failures/>

¹¹ Tax Foundation, Cigarette Smuggling Costs States Billions in Forgone Tax Revenue, <https://taxfoundation.org/data/all/state/cigarette-smuggling-costs-states-billions-tax-revenue/>

¹² Tax Foundation, *Cigarette Taxes and Cigarette Smuggling by State* (2023), accessed February 9, 2026,

<https://taxfoundation.org/data/all/state/cigarette-taxes-cigarette-smuggling-state/>

¹³ Tamia Mallory, “Leader of \$30M ‘Well-Organized’ Cigarette Smuggling Operation Sentenced,” *WHSV*, May 13, 2019, <https://www.wHSV.com/content/news/Leader-of-30M-well-organized-cigarette-smuggling-operation-sentenced-509856201.html>

confiscated 1,800 cartons of cigarettes, along with 46,000 counterfeit tax stamps, and \$155,000 in cash in a single operation.¹⁴ The list goes on.

More recent enforcement actions showcase how criminals are adapting to shifting preferences towards alternative tobacco products. In the fall of last year, the New York State Department of Health's Bureau of Investigations along with state and local law enforcement executed the largest criminal vape enforcement operation in state history, leading to dozens of arrests and over 40 criminal charges.¹⁵ Other investigations have further exposed how illicit tobacco operations intersect with labor exploitation, fraud, and organized crime, including the recent indictment of a Brooklyn-based tobacco processing company and its owners for wage theft and related offenses.¹⁶

Other highly taxed or tightly regulated commodities have also been pushed into New York's underground economy in recent years. Reports estimate that, due to steep taxes on liquor and spirits, as many as one in four bottles of alcohol sold in New York City may be smuggled.¹⁷ New York's role as a global transportation hub – with major ports, extensive highway and rail networks, and proximity to lower-tax states create the ideal distribution networks to peddle these and other illicit goods.

At the end of the day, the illicit nicotine market is not an economic anomaly, but the predictable byproduct of punitive tax and regulatory policies. Nicotine, like alcohol, cigarettes, and other heavily taxed commodities, retains consistent demand regardless of price. Pushing prohibitive policies on these products only empowers criminal networks and diverts billions in potential revenue away from schools, public health programs, and community investments. New Yorkers are left with poorer neighborhoods, increased crime, and more exposure to dangerous, unregulated products.

Solutions start with cross-sector approaches that prioritize consumers

In my decades-long career at HSI, I have seen a few key ingredients that can curb an illegal market when mixed together. It starts with de-incentivizing criminals. Rather than creating supply vacuums for high-demand products like nicotine pouches through unreasonable taxes, policymakers should ensure adults have easy access to rigorously regulated products – particularly for those seeking to transition away from products like cigarettes. At the same time, regulatory efforts must focus squarely on preventing youth access, guided by data and enforcement strategies that target bad guys who purposefully market to this vulnerable population.

But this is only part of the equation. State regulators along with federal partners such as the Food and Drug Administration, the Department of Homeland Security, and Department of Justice, must also keep identifying new, innovative ways to partner with industry, distributors, and retailers to crack down on the illegal products flooding the market. These products don't just magically end up in the hands of consumers. Supply chains are long and complex. We must ensure that each vulnerable point in the supply chain – whether it is an e-commerce platform or our local corner store – is equipped with the necessary safeguards to prevent illicit distribution. In a similar vein, our law enforcement on the ground must also tap into the

¹⁴ New York State Department of Taxation and Finance, "Five Arrested in Major Contraband Cigarette and Cigar Trafficking Case," press release, April 27, 2023, <https://www.tax.ny.gov/press/rel/2023/counterfeitstampcig042723.htm>

¹⁵ Tobacco Reporter, "NYC Charges 12 Distributors in Largest Vape Sting in State History," Tobacco Reporter, September 5, 2025, <https://tobaccoreporter.com/2025/09/05/nyc-charges-12-distributors-in-largest-vape-sting-in-state-history/>

¹⁶ Office of the Inspector General, *Brooklyn Eagle: Owner and Managers of Tobacco Processing Company Indicted for Wage Theft for Allegedly Stealing Approximately \$310K from More Than Two Dozen Employees* (press release, June 12, 2025), <https://ig.ny.gov/news/brooklyn-eagle-owner-and-managers-tobacco-processing-company-indicted-wage-theft-allegedly>

¹⁷ Edgar Domenech, "Op-Ed | Stop the Spread of Illegal Alcohol Shipping in New York," amNewYork (February 15, 2024), <https://www.amny.com/opinion/stop-spread-illegal-alcohol-shipping-new-york/>

wealth of knowledge and information of private industry partners as they carefully build their cases and work with prosecutors to dismantle illicit networks.

Lastly, the general public plays a critical two-way role in safeguarding communities from criminal networks. Through fact-driven public awareness campaigns, consumers must be empowered to make informed choices about the products they purchase and the sources from which they buy them. Just as importantly, consumers should be encouraged to use existing crime-prevention and reporting tools to flag suspicious listings, distributors, and sales practices. As the first line of defense, an informed and engaged public – working in lockstep with law enforcement – can help keep illicit products out of communities and away from the individuals they were never intended to reach.

With these lessons in mind, I urge the committee to consider the consequences of incorporating additional taxes on alternative tobacco products. We cannot allow criminals to do what they do best: generate money whatever the cost. It will take all of us, from community and regulatory leaders to law enforcement and our legitimate industry partners, to promote public health and keep harmful products out of the hands of consumers.