PROTOCOL
TO ELIMINATE
ILLICIT TRADE IN
TOBACCO PRODUCTS

**Meeting of the Parties to the Protocol
to Eliminate Illicit Trade in Tobacco Products
Fourth session**

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Evidence-based research (Articles 6.5 and 13.2 of the Protocol)

Report by the Convention Secretariat

Purpose of the document

This report describes the activities undertaken by the Convention Secretariat to implement the road map to conduct evidence-based research in accordance with Articles 6.5 and 13.2 of the Protocol to Eliminate Illicit Trade in Tobacco Products, the related outcomes and recommendations, pursuant to decision FCTC/MOP3(16).

Action by the Meeting of the Parties

The Meeting of the Parties (MOP) is invited to note the present report and provide further guidance.

Contribution to the Sustainable Development Goals (SDGs): All SDGs; in particular SDG 3 and Target 3.a, as well as SDG 16.

Link to Workplan and Budget item: 4.1.4.

Additional financial implications if not included in the Workplan and Budget: None.

Related document(s): Report on evidence-based research (Articles 6.5 and 13.2 of the Protocol) (supplementary information).

Background

1. At its third session, the Meeting of the Parties (MOP) to the Protocol to Eliminate Illicit Trade in Tobacco Products considered a report prepared by the Convention Secretariat in response to decision FCTC/MOP1(7), requesting the Convention Secretariat to identify research needs and gaps relevant to Articles 6.5 and 13.2 of the Protocol and to present to the MOP a detailed road map, as outlined in that decision (document FCTC/MOP/3/6). In decision FCTC/MOP3(16), the MOP adopted the road map to conduct evidence-based research in accordance with Articles 6.5 and 13.2 of the Protocol, as contained in the annex of that decision.

2. The Protocol requires that the MOP, five years after entry into force of the Protocol, ensure that evidence-based research is conducted regarding "key inputs" essential to the manufacture of tobacco products and the extent of illicit trade in tobacco products related to "duty free sales", considering the provisions of Article 6.5 and Article 13.2.

3. To address the research needs and gaps, the road map adopted by the MOP comprises two components: (a) a preliminary step aimed at defining the scope of the research to be conducted; and (b) a core research activity based on national case studies.

4. Under the guidance of the Bureau elected at the Third session of the MOP, and with the support of the Economics for Health team at Johns Hopkins University, the Convention Secretariat has completed both components of the road map.

5. A list of Parties to the WHO Framework Convention on Tobacco Control (WHO FCTC) that would be approached to confirm their interest to participate in this initiative was suggested by the Convention Secretariat based on preliminary research, and the members of the Bureau, with support from regional coordinators, were also invited to seek nominations from Parties in their respective regions. Following this, a total of eight case studies were conducted.[1]

Preliminary step

6. A literature review was carried out to identify relevant academic and grey literature through database searches (including PubMed, JSTOR and Google Scholar) as of May 2025, and searches of institutional reports from international intergovernmental organizations, multilateral agencies and national regulatory agencies.

7. Through the literature review, four key inputs were identified as essential and largely exclusive to the production of tobacco products (primarily cigarettes, which account for the vast majority of tobacco products sold globally). These inputs are also traceable via the World Customs Organization's Harmonized System (HS) codes, making them viable candidates for control mechanisms such as licensing, record keeping, traceability systems, law enforcement oversight, trade monitoring and enhanced information exchange. The identified inputs are manufacturing equipment, tobacco leaf, cigarette filters and cigarette papers.

8. Manufacturing equipment (HS code 8478.10) includes machinery for processing, assembling and packaging tobacco products. While the market for new machinery is relatively concentrated, the widespread availability of second-hand equipment complicates regulatory oversight and control efforts.

[1] Case studies were conducted via virtual means with relevant stakeholders in Brazil, France, Lithuania, Netherlands (Kingdom of the), Panama, Philippines, Poland and Türkiye.

9. Tobacco leaf (HS code 2401) is central to the tobacco industry. While it is cultivated by millions of small-scale farmers worldwide – posing challenges for regulation – its processing is dominated by a few large multinational companies, which concentrate control over the supply chain.

10. Cigarette filters, primarily made from cellulose acetate processed into acetate tow (HS code 5502.10), are used in nearly all commercial cigarettes. Their production involves highly specialized processes and is controlled by a small number of major global companies, resulting in a concentrated supply chain.

11. Cigarette papers (HS code 4813) are also highly specialized. Although they are more easily substituted than filters, their production remains concentrated among a few international manufacturers, and they play a critical role in the commercial manufacture of tobacco products.

12. Concerning duty free sales, the literature indicates that illicit trade related to duty free tobacco occurs when products intended for personal use by international travellers are diverted into unauthorized channels. This includes reselling duty free tobacco without paying taxes, smuggling it across borders, and distributing it through informal or online markets.

13. The legal and regulatory frameworks governing duty free tobacco sales vary across jurisdictions. While the WHO FCTC requires Parties to prohibit or restrict the sale and/or importation of duty free tobacco products, national regulations differ in terms of allowable quantities, taxation and enforcement mechanisms.

14. The scale of illicit trade involving duty free tobacco has been measured using various units, including the number of cigarettes (sticks), tonnes of loose tobacco, percentage of total consumption, proportion of smokers engaging in duty free purchases and the share of foreign packs found in litter surveys. No standardized unit of measurement has been established.

Case studies

15. Interviews were conducted in a virtual setting with relevant representatives from the ministries of agriculture, finance and trade, as well as customs and revenue authorities, in eight Parties to the WHO FCTC that volunteered to participate. Semi-structured questionnaires were used to explore each Party's efforts to control key inputs in the tobacco product supply chain, and to assess the extent of illicit trade related to duty free sales.

Manufacturing equipment

16. The Protocol establishes obligations related to the control of manufacturing equipment, such as licensing, due diligence and record keeping, among others. Several Parties to the Protocol have implemented control measures for manufacturing equipment.

17. In one Party, two types of licences are required and enforced by customs authorities. The first applies to any entity that manufactures or possesses manufacturing equipment, and must include details on the equipment's description, location and intended use. The second licence is required for the import, export or cross-border transfer of such equipment, and must include a detailed description of the machinery and its intended destination. Customs authorities audit these licences regularly.

18. Two Parties reported due diligence obligations, including requirements to report intended buyers to customs authorities. These include verifying that domestic buyers are licensed and, for international buyers, confirming that the receiving facility is authorized to manufacture tobacco products, and specifying the type and volume of products to be produced.

19. Some Parties noted the potential use of tracking and tracing systems to control manufacturing equipment. In some of these systems, equipment must be registered with the competent authority and assigned a unique identifier, which is then integrated into the unique identification markings of the tobacco products manufactured using that equipment.

20. Another Party has established strict regulations governing manufacturing equipment. Any acquisition, transfer, removal or destruction of such equipment requires prior authorization by agriculture authorities. Used equipment may only be transferred between licensed manufacturers. Additionally, regulatory limits on raw material procurement and production capacity are tied to the theoretical output of the equipment, calculated based on its capacity within legally permitted weekly working hours.

21. Regarding the disposal of obsolete or illicitly used equipment, some Parties reported that such equipment is permanently destroyed. One Party specifically noted that destruction is carried out in a way that renders the equipment mechanically non-functional. Another Party allows export under government supervision; otherwise, the equipment must be dismantled and destroyed.

22. The second-hand market for manufacturing equipment presents a significant control challenge. One Party noted that while licences are required for complete machines, they are not required for individual parts, which can be bought easily via digital means. Another Party observed that manufacturing equipment has become cheaper and more compact, making it easier to divert for illicit purposes.

Tobacco leaf

23. Existing control measures applied to tobacco leaf were primarily identified through interviews with representatives from tobacco-growing Parties. In one Party, controls are applied across multiple stages of the tobacco leaf's life cycle. The export of seedlings is prohibited, and the cultivation and trade of raw tobacco must be registered and licensed. These activities may occur either through a contractual production system or a regulated auction-based system. Leaf processing requires a permit and is monitored by national authorities.

24. Similarly, another Party mandates a licence for the wholesale trade of raw tobacco, with quarterly reporting on quantities sold and their destinations. A third Party maintains a public registry of raw tobacco producers, which includes data reporting requirements such as the area under cultivation (with identification of land plots), the weight of raw tobacco covered by each sales agreement, the weight of destroyed tobacco, and the estimated total mass and stock of raw tobacco. To enhance oversight, government officials conduct regular inspections covering at least 5% of registered producers, and purchasers are required to record similar information as sellers, enabling cross-validation.

25. Several Parties also operate systems to monitor the domestic movement of raw tobacco. In one case, vehicles transporting raw tobacco are equipped with geolocation devices that automatically generate electronic records.

26. Two Parties reported applying an excise tax on tobacco leaf, which can allow for strengthened control over its trade. The tax is applied to cured or partially manufactured tobacco leaf, with processing companies typically responsible for payment. In one case, excise stamps are also required as part of the control mechanism, and are affixed to packages containing cured tobacco.

27. Generally, controls appear more common in Parties with fewer tobacco growers. In contrast, one Party with a large and dispersed grower base reported having few or no control mechanisms. This Party acknowledged a mismatch between the volume of raw tobacco (domestic production plus imports minus exports) and the volume of legally manufactured cigarettes, and noted that the lack of controls might facilitate cross-border smuggling of inputs.

28. Across Parties, exports of tobacco leaf tend to be less strictly regulated than domestic trade. In non-tobacco-growing countries, imports of tobacco leaf are often not subject to licensing. One official attributed this to the fact that licensing responsibilities related to tobacco leaf typically lie with ministries of agriculture, which may have limited interest in regulating tobacco leaf in countries where tobacco is not cultivated.

Cigarette filters and papers

29. In Parties where large-scale cigarette filter production occurs, some control measures have been identified. In one Party, the production of cigarette filters requires registration and certification. Sales are restricted to licensed cigarette producers or for export purposes (for which no licence is required). Reporting and record-keeping requirements are in place. In some cases, cigarette manufacturing companies also produce filters in-house, which should be taken into account when defining control measures for cigarette filters. One Party also noted that filters are indirectly regulated through environmental and product disclosure frameworks. For example, this Party indicated one directive that requires reporting on the quantities of filters supplied to the market, and a second directive mandating that manufacturers and importers disclose all product components – including filters – prior to market placement.

30. One Party noted that a key challenge in controlling filters lies in monitoring their raw materials – particularly cellulose acetate, which is widely used across multiple industries. Conversely, acetate tow (a derivative of cellulose acetate) is used almost exclusively for cigarettes, making it more amenable to control mechanisms. One Party noted that the acquisition and stock of acetate tow are monitored, although gaps may exist in upstream control. Regulation generally begins at the stage of filter production, not earlier in the supply chain.

31. Control measures for tobacco paper as an input in cigarette production are more limited. Cigarette papers are generally subject to standard customs and trade rules. However, one Party monitors domestic movement of cigarette papers through a geospatial transport tracking system. Another Party distinguishes between tobacco paper used as a finished product (for example, as rolling papers for roll-your-own tobacco) and as a component in industrial cigarette manufacturing. When classified as a finished product, it must be registered, certified and sold by entities that are licensed to sell. When used as an input, the quantity must align with declared production capacity, and its import is restricted to producers meeting a minimum production threshold. One Party noted that while the number of tobacco paper manufacturers is small – making control theoretically easier – there is still a lack of legal mechanisms to enforce such control measures.

32. In another Party, the acquisition of both cigarette filters and papers, along with other raw materials, requires specific permits issued only to economic operators licensed to participate in the tobacco supply chain. These raw materials must be declared and tracked through an inventory system, and manufacturers are required to submit monthly reports on both raw materials and finished products via official registry books. Discrepancies between inputs and outputs trigger enforcement actions. This Party also highlighted challenges in ensuring compliance within free trade zones.

Duty free sales

33. The inherent tax-free nature of duty free sales, while legal within defined parameters, can be exploited for illicit purposes if not rigorously controlled. In some Parties, the tracking and tracing system for tobacco products is not applied to products destined for duty free sale, creating a potential legal loophole.

34. Although evidence in the literature demonstrates that duty free products are diverted into illicit markets through methods ranging from individual “bootlegging” to large-scale organized smuggling, most stakeholders interviewed did not perceive duty free sales as a significant channel for the illicit trade in tobacco products; nor did they have the data to suggest it. Most Parties have reported taking measures to control the sales of duty free tobacco products. One Party reported that it requires licensing of duty free shops and real-time records of their sales, reviewed by customs authorities.

35. It has not been possible to acquire data in the context of the case studies to produce an estimate of the relationship between duty free sales and illicit tobacco trade globally.

Discussion

36. Manufacturing equipment and tobacco leaf stand out as the inputs most commonly subject to control mechanisms. Several Parties issue licences for these inputs, providing at minimum a record of the number and nature of economic operators in the supply chain, and laying the groundwork for further regulatory measures. These may include data reporting requirements and periodic audits. Manufacturers of cigarette filters and papers may also be subject to licensing and due diligence obligations, requiring reasonable efforts to verify the legitimacy of their clients.

37. Another opportunity to strengthen controls lies in monitoring cross-border trade. Enhancing export and import oversight and fostering information exchange between Parties could yield significant benefits. Several Parties have identified specific areas at high risk for illicit trade, suggesting that targeted interventions in these zones could generate substantial impact.

38. Central to advancing these efforts is improved cooperation. At the national level, this entails stronger inter-agency collaboration, enhanced information sharing and better utilization of existing data systems. At the international level, Parties could make greater use of platforms such as the United Nations Commodity Trade Statistics Database by sharing and analysing more data.

39. In accordance with Article 13 of the Protocol, Parties have an obligation to implement effective measures to subject any duty free sales of tobacco products to all relevant provisions of the Protocol, taking into consideration Article 6 of the WHO FCTC. To better understand the relationship between duty free sales and illicit tobacco trade, further investigative methods beyond stakeholder interviews may be required.

Action by the Meeting of the Parties

40. The MOP is invited to note the present report and provide further guidance.
