

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

This document relates to item 4.1 of the provisional MOP4 agenda and corresponds to document FCTC/MOP/4/5.

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Key recommendations

- GATC welcomes the Report by the Convention Secretariat to MOP4 (FCTC/MOP/4/5) examining different interventions that Parties have enacted to address these challenges and encourages Parties to explore which of these interventions might be suitable for their legal/regulatory contexts.
- GATC welcomes and supports the ongoing efforts by Parties to advance work on the potential for securing key inputs in the tobacco supply chain and controlling duty free sales more effectively.
- GATC calls on the Convention Secretariat to continue to support Parties discuss and explore these issues with each other and with other relevant actors, potentially through a virtual Working Group that brings together both Parties and experts.

Key messages

- There is only a small set of key inputs that are typical to cigarette manufacturing, including tobacco leaf, cigarette filters, cigarette papers and processing/ manufacturing machinery.
- A small number of Parties are taking active steps to control the supply of these goods to monitor better both the licit and illicit manufacturing of these tobacco products, and in some cases use this strategy to address illicit production more effectively.
- Illicit trade related to duty free tobacco occurs when products intended for personal use by international travelers are diverted into unauthorized channels, including reselling duty-free tobacco products without paying taxes, smuggling them across borders, and/or distributing them through online or other informal markets.
- A limited number of Parties have strong and clear measures to curb issues related to diversion of duty-free sales and could be a resource for others. Notably, however, most Parties indicate that illicit products with an origin related to duty-free sales comprise a very small proportion of illicit trade.
- Parties should continue to monitor these issues, consider new strategies to address them, and continue to actively exchange information about these strategies.

What is being proposed

The 3rd Meeting of the Parties adopted a decision on Article 6.5 and Article 13.2 of the Protocol highlighting the potential for better securing the supply chain for key inputs and the importance of controlling duty-free sales respectively. The decision requested the Secretariat to prepare a report for MOP4 describing the ways that Parties are attempting to address these two issues and the policy options that might be available to Parties.

The report FCTC/MOP/4/5 uses in-depth interviews with relevant officials from Parties that have undertaken such efforts to illustrate some interventions that show potential utility. Building on this work, GATC urges Parties to further the discussion on both Articles 6.5 and 13.2 to provide better guidance to Parties as they seek to improve these areas of supply chain control.

Discussions at MOP4 are expected to emphasize the need for Parties, stakeholders within them, and other stakeholders in the international community to continue to explore both existing successful interventions and potential new ones to address each of these issues. GATC would welcome Parties' enthusiasm to build on this discussion and the Secretariat's leadership in helping to organize the discussion and exchange of best practices.

Why this is important

Because there is only a limited number of key inputs especially for cigarettes, controlling the supply and value chains for these inputs could be another potential avenue to mitigate the illicit market for these goods. Furthermore, 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. To better understand the relationship between duty free sales and illicit tobacco trade, further investigative methods beyond stakeholder interviews may be required. Though a handful of countries have been experimenting with different interventions, the community is not yet at a stage of clear "best practices." More information exchange will help the community to learn more about what is working best. Measures to properly license and monitor actors in this part of the supply chain could potentially help to further mitigate the challenge posed by duty-free sales. Again, a few Parties are working actively to improve this part of the supply chain, and finding ways to share this knowledge will serve to help other Parties seeking to secure their tobacco supply chains.