FRAMEWORK CONVENTION ALLIANCE

POLICY BRIEFING

Briefing Note: Fourth Session of the Intergovernmental Negotiating Body on an Illicit Trade Protocol
Geneva 14th March to 21st March 2010

KEY INPUTS

The Framework Convention Alliance recommends that the Illicit Trade Protocol cover selected inputs into the tobacco product manufacturing process: cigarette papers, acetate filter tow, and reconstituted tobacco leaf.

Illegal manufacturing is a major source of illicit tobacco products. To effectively combat illicit manufacturing, Parties need to be able to control the supply of key inputs to the tobacco industry by requiring that manufacturers of these inputs be licensed and that they exercise due diligence in supplying their products.

Key inputs should be included where appropriate in the Protocol's provisions, particularly in those relating to:

- licensing (Article 5)
- due diligence (Article 6)
- record-keeping (Article 8)
- security and preventive measures (Article 9) – in its side by side commentary on the current draft text, FCA has suggested replacing this with a broader requirement in Article 6.

What are Key Inputs?

"Key inputs" refers to the most important manufacturing components for cigarettes. The most important component is of course processed tobacco. Cigarette papers, acetate filter tow, and reconstituted tobacco leaf are the next most important components.

FCA has identified at least the following key inputs as logical candidates for inclusion in certain articles of the Protocol: cigarette papers, acetate filter tow, and reconstituted tobacco leaf. Several Parties have argued that any key inputs need to be "unique" and "identifiable" if they are to be controlled. Cigarette papers, acetate filter tow and reconstituted tobacco (RTL) appear to meet these requirements.

Detailed Description

Cigarette papers, acetate filter tow and reconstituted tobacco leaf are listed in the harmonized tariff schedules of the European Union, Canada, Brazil, China and the United States.

There is a unique Harmonized Tariff Code for cigarette papers – 4813.[1] Cigarette papers are specially engineered to control factors such as density, porosity, and burn rate. There is no other known use for cigarette papers except in making cigarettes.

[1] The internationally standardized system of names and numbers for classifying traded products developed and maintained by the World Customs Organization.

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Cigarette paper is further divided in the tariff schedule into three subcategories: Cigarette paper in the form of booklets or tubes (HTS 48131000), cigarette paper in rolls of a width not exceeding 5 cm (HTS 48132000), and cigarette paper, whether or not cut to size (HTS 48139000).

Cellulose acetate is used to make acetate tow for filters and also has a unique Tariff Code - 3912. Cellulose acetate tow in a filter is a network of fibers made from wood pulp. Within the manufacturing process, the filter material arrives as a single strip of more than 10,000 fibers compressed into bales of 750 kg. This strip of compacted fibers is mechanically stretched to open the fibers, sprayed with a plasticizer to bring them together, wrapped with thin paper, cut and fed into the machine for making cigarettes.

Although cellulose acetate has several industrial uses, acetate tow is used in very few products. More than 80% of world production is used in the manufacture of cigarettes. There are also only a handful of companies worldwide that manufacture acetate tow; seven are members of the Global Acetate Manufacturers Association (GAMA).

In the case of RTL, the tobacco manufacturers noted that wrapping tobacco in RTL allowed them to circumvent pre-existing regulations and laws related to cigarettes. These products are simply brown cigarettes.

The RTL HS classification for Brazil was: 24039100, “Tabaco “homogeneizado” ou “reconstituido,” and 240391 “Other” for the European Union. The HS of the United States sub-classified RTL at 2403.91.20 “Suitable for use as wrapper tobacco.”[i] Canada was most descriptive with two classifications, 2403.91.10, “Suitable for use as wrapper tobacco – Packaged” and a further sub-classification of: 2403.91.20, “Suitable for use as wrapper tobacco -- Not packaged.”

Photographs and Illustrations

Tobacco Papers in Booklets (Not to scale) [ii]

Tobacco Paper in Rolls (Not to Scale) [iii]

RHODIA® Filter Tow [iv]

RHODIA® Filter Tow Shipping Cube [v]

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[i] The use of decimal points in the classification number varies between customs administrations.
[ii] Amazon.COM, Inc., Seattle, Internet: http://www.amazon.com/Top-Cigarette-Paper/dp/B000TUOBH4, accessed: 08/09/2009.
[iii] HiFMR.COM, Inc., China, Internet: http://www.himfr.com/buy-cigarette_paper/, accessed: 09/09/2009.
[iv] Rhodia Group Webpage, Paris, Internet: http://www.rhodia.com/en/markets_and_products/leading_ brands/ acetow_rhodia_filter_tow.tcm, accessed: 08/09/2009
[v] Ibid, Schweitzer-Mauduit.